

**CITY OF CALIFORNIA CITY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**CITY OF CALIFORNIA CITY**

**JUNE 30, 2013**

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**Independent Auditor's Report**

To the City Council  
City of California City  
California City, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of California City, California (City), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of California City, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 of the notes to the financial statements, effective July 1, 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Report Entity: Omnibus*, Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 50 through 53 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and the combining private purpose trust fund financial statements are presented for the purpose of additional analysis and are not required parts of the financial statements. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and combining private purpose trust fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
March 20, 2014

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**CITY OF CALIFORNIA CITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

|  | Primary Government |               |                |
|--|--------------------|---------------|----------------|
|  | Governmental       | Business-type | Totals         |
|  | Activities         | Activities    |                |
| <b>ASSETS</b>                                    |                    |               |                |
| Cash and investments                             | \$ 7,961,161       | \$ 1,960,683  | \$ 9,921,844   |
| Cash and investments with fiscal agents          |                    |               |                |
| Receivables:                                     |                    |               |                |
| Accounts   | 424,305            | 422,455       | 846,760        |
| Taxes  | 343,718            | 551           | 344,269        |
| Due from other governments                       | 827,972            | 343,325       | 1,171,297      |
| Prepaid costs                                    | 114,859            | 44,990        | 159,849        |
| Inventories                                      | 3,453              | 251,950       | 255,403        |
| Internal balances                                | 354,589            | (354,589)     |                |
| Due from Successor Agency Trust Fund             | 21,669,224         |               | 21,669,224     |
| Deferred charges                                 |                    | 95,441        | 95,441         |
| Land held for resale                             |                    | 4,076,250     | 4,076,250      |
| Restricted assets:                               |                    |               |                |
| Cash and investments                             | 83,201,056         |               | 83,201,056     |
| Cash and investments with fiscal agents          |                    | 143,700       | 143,700        |
| Interest receivable                              | 201,292            |               | 201,292        |
| Capital assets not being depreciated             | 3,313,528          | 518,788       | 3,832,316      |
| Capital assets - net of accumulated depreciation | 18,869,925         | 15,358,833    | 34,228,758     |
| Total assets                                     | 137,285,082        | 22,862,377    | 160,147,459    |
| <b>LIABILITIES</b>                               |                    |               |                |
| Accounts payable                                 | 1,347,537          | 175,563       | 1,523,100      |
| Accrued liabilities                              | 2,161,112          | 53,078        | 2,214,190      |
| Accrued interest                                 | 14,448             | 81,245        | 95,693         |
| Unearned revenue                                 | 24,712             |               | 24,712         |
| Deposits payable                                 | 12,500             | 91,178        | 103,678        |
| Noncurrent liabilities:                          |                    |               |                |
| Due within one year                              | 972,888            | 221,364       | 1,194,252      |
| Due in more than one year                        | 3,893,002          | 6,678,636     | 10,571,638     |
| Total liabilities                                | 8,426,199          | 7,301,064     | 15,727,263     |
| <b>NET POSITION</b>                              |                    |               |                |
| Net investment in capital assets                 | 21,765,368         | 9,260,662     | 31,026,030     |
| Restricted for:                                  |                    |               |                |
| Community development                            | 150,926            |               | 150,926        |
| Public works                                     | 106,728,181        |               | 106,728,181    |
| Parks and recreation                             | 18,549             |               | 18,549         |
| Public safety                                    | 1,244,200          |               | 1,244,200      |
| Housing  | 1,200,518          |               | 1,200,518      |
| Water meter installation                         |                    | 216,937       | 216,937        |
| Water standby                                    |                    | 2,596,140     | 2,596,140      |
| Unrestricted                                     | (2,248,859)        | 3,487,574     | 1,238,715      |
| Total net position                               | \$ 128,858,883     | \$ 15,561,313 | \$ 144,420,196 |

**See Notes to Basic Financial Statements**



**CITY OF CALIFORNIA CITY**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

| Functions/Programs             | Expenses        | Program Revenues     |                                    |                                  |
|--------------------------------|-----------------|----------------------|------------------------------------|----------------------------------|
|                                |                 | Charges for Services | Operating Contributions and Grants | Capital Contributions and Grants |
| <b>Primary Government:</b>     |                 |                      |                                    |                                  |
| Governmental Activities:       |                 |                      |                                    |                                  |
| General government             | \$ (1,786,740)  | \$ 66,103            | \$ 3,979                           | \$ 10,766                        |
| Public safety                  | (5,784,618)     | 199,941              | 6,916,417                          |                                  |
| Parks and recreation           | (412,232)       | 4,914                | 73,074                             |                                  |
| Public works                   | (1,750,432)     | 90,866               | 1,064,234                          |                                  |
| Community development          | (16,985)        | 2,000                | 14,576                             |                                  |
| Interest on long-term debt     | (23,409)        |                      |                                    |                                  |
| Total Governmental Activities  | (9,774,416)     | 363,824              | 8,072,280                          | 10,766                           |
| Business-type Activities:      |                 |                      |                                    |                                  |
| Water                          | (3,366,506)     | 2,349,336            |                                    |                                  |
| Sewer                          | (1,324,307)     | 675,593              |                                    |                                  |
| Airport                        | (652,365)       | 206,742              | 182,556                            | 240,000                          |
| Kern COG Transportation        | (286,968)       | 24,946               | 203,608                            |                                  |
| Water reserve                  | (960)           | 565,323              |                                    |                                  |
| Total Business-Type Activities | (5,631,106)     | 3,821,940            | 386,164                            | 240,000                          |
| Total Primary Government       | \$ (15,405,522) | \$ 4,185,764         | \$ 8,458,444                       | \$ 250,766                       |

General Revenues:

Taxes:

Sales taxes

Property taxes levied for general purposes

Franchise taxes

Transient occupancy taxes

Business license taxes

Intergovernmental - unrestricted:

Motor vehicle in lieu

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - July 1, 2012

Prior period adjustments

Net position - July 1, 2012, Restated

Net position - June 30, 2013

**See Notes to Basic Financial Statements**

| Net (Expenses) Revenues and Changes in Net Position |                             |                |
|---|-----------------------------|----------------|
| Primary Government                                  |                             |                |
| Governmental<br>Activities                          | Business-type<br>Activities | Total          |
| \$ (1,705,892)                                      | \$ -                        | \$ (1,705,892) |
| 1,331,740   |                             | 1,331,740      |
| (334,244)   |                             | (334,244)      |
| (595,332)   |                             | (595,332)      |
| (409)   |                             | (409)          |
| (23,409)  |                             | (23,409)       |
| (1,327,546)   |                             | (1,327,546)    |
|   | (1,017,170)                 | (1,017,170)    |
|   | (648,714)                   | (648,714)      |
|   | (23,067)                    | (23,067)       |
|   | (58,414)                    | (58,414)       |
|   | 564,363                     | 564,363        |
|   | (1,183,002)                 | (1,183,002)    |
| (1,327,546)   | (1,183,002)                 | (2,510,548)    |
| 367,455   |                             | 367,455        |
| 1,878,768   | 49,898                      | 1,928,666      |
| 280,434   |                             | 280,434        |
| 49,682  |                             | 49,682         |
| 43,228  |                             | 43,228         |
| 7,697   |                             | 7,697          |
| 187   | 423                         | 610            |
| 215,239   | 21,431                      | 236,670        |
| 74,821  | (74,821)                    |                |
| 2,917,511   | (3,069)                     | 2,914,442      |
| 1,589,965   | (1,186,071)                 | 403,894        |
| 131,195,331   | 16,747,384                  | 147,942,715    |
| (3,926,413)   |                             | (3,926,413)    |
| 127,268,918   | 16,747,384                  | 144,016,302    |
| \$ 128,858,883                                      | \$ 15,561,313               | \$ 144,420,196 |

**CITY OF CALIFORNIA CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2013**

|                                      |                     | Special Revenue Funds |                       |                  |
|--------------------------------------|---------------------|-----------------------|-----------------------|------------------|
|                                      |                     |                       | Subdivision           |                  |
|                                      | General             | Street                | Deferred              | Special Tax      |
|                                      |                     | Maintenance           | Improvement           |                  |
| <b>ASSETS</b>                        |                     |                       |                       |                  |
| Cash and investments                 | \$ 3,622,439        | \$ 2,482,509          | \$ 416,567            | \$ -             |
| Receivables:                         |                     |                       |                       |                  |
| Accounts                             | 134,305             | 290,000               |                       |                  |
| Taxes                                | 66,111              | 30,203                |                       | 88,097           |
| Other governments                    | 29,379              | 594,445               |                       |                  |
| Successor Agency Receivable          |                     |                       | 20,684,224            |                  |
| Prepaid costs                        | 17,303              | 8,090                 |                       |                  |
| Due from other funds                 | 537,244             |                       |                       |                  |
| Inventories                          | 3,453               |                       |                       |                  |
| Restricted assets:                   |                     |                       |                       |                  |
| Cash and investments                 |                     |                       | 83,201,056            |                  |
| Interest receivable                  |                     |                       | 201,292               |                  |
| Total assets                         | <u>\$ 4,410,234</u> | <u>\$ 3,405,247</u>   | <u>\$ 104,503,139</u> | <u>\$ 88,097</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                     |                       |                       |                  |
| Liabilities:                         |                     |                       |                       |                  |
| Accounts payable                     | \$ 61,050           | \$ 851,665            | \$ 290,126            | \$ -             |
| Accrued liabilities                  | 1,984,939           | 13,635                |                       |                  |
| Unearned revenues                    | 41,048              | 24,712                | 10,807,081            |                  |
| Deposits payable                     | 12,500              |                       |                       |                  |
| Due to other funds                   |                     |                       | 67                    |                  |
| Total liabilities                    | <u>2,099,537</u>    | <u>890,012</u>        | <u>11,097,274</u>     |                  |
| Fund balances:                       |                     |                       |                       |                  |
| Nonspendable:                        |                     |                       |                       |                  |
| Inventory                            | 3,453               |                       |                       |                  |
| Prepaid costs                        | 17,303              | 8,090                 |                       |                  |
| Restricted for:                      |                     |                       |                       |                  |
| Housing                              |                     |                       |                       |                  |
| Parks and recreation                 |                     |                       |                       |                  |
| Public safety                        |                     |                       |                       |                  |
| Street maintenance                   |                     | 2,507,145             |                       |                  |
| Subdivision infrastructure           |                     |                       | 93,405,865            |                  |
| Community development                |                     |                       |                       | 88,097           |
| Assigned:                            |                     |                       |                       |                  |
| Parsac insurance                     | 100,000             |                       |                       |                  |
| Unassigned                           | 2,189,941           |                       |                       |                  |
| Total fund balances                  | <u>2,310,697</u>    | <u>2,515,235</u>      | <u>93,405,865</u>     | <u>88,097</u>    |
| Total liabilities and fund balances  | <u>\$ 4,410,234</u> | <u>\$ 3,405,247</u>   | <u>\$ 104,503,139</u> | <u>\$ 88,097</u> |

**See Notes to Basic Financial Statements**

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Special Revenue Funds

| <u>Public<br/>Safety<br/>Services</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|---|---|
| \$ 1,125,985                          | \$ 313,661                              | \$ 7,961,161                            |
|                                       |   | 424,305                                 |
| 145,875                               | 13,432                                  | 343,718                                 |
|                                       | 204,148                                 | 827,972                                 |
|                                       | 985,000                                 | 21,669,224                              |
| 87,315                                | 2,151                                   | 114,859                                 |
|                                       |   | 537,244                                 |
|                                       |   | 3,453                                   |
|                                       |   | 83,201,056                              |
|                                       |   | 201,292                                 |
| <u>\$ 1,359,175</u>                   | <u>\$ 1,518,392</u>                     | <u>\$ 115,284,284</u>                   |
|                                       |   |   |
| \$ 128,420                            | \$ 16,276                               | \$ 1,347,537                            |
| 158,175                               | 4,363                                   | 2,161,112                               |
| 54,339                                | 138,351                                 | 11,065,531                              |
|                                       |   | 12,500                                  |
|                                       | 182,588                                 | 182,655                                 |
| <u>340,934</u>                        | <u>341,578</u>                          | <u>14,769,335</u>                       |
|                                       |   |   |
|                                       |   | 3,453                                   |
| 87,315                                | 2,151                                   | 114,859                                 |
|                                       | 1,200,518                               | 1,200,518                               |
|                                       | 18,549                                  | 18,549                                  |
| 930,926                               | 31,118                                  | 962,044                                 |
|                                       |   | 2,507,145                               |
|                                       |   | 93,405,865                              |
|                                       | 62,829                                  | 150,926                                 |
|                                       |   | 100,000                                 |
|                                       | (138,351)                               | 2,051,590                               |
| <u>1,018,241</u>                      | <u>1,176,814</u>                        | <u>100,514,949</u>                      |
| <u>\$ 1,359,175</u>                   | <u>\$ 1,518,392</u>                     | <u>\$ 115,284,284</u>                   |

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**CITY OF CALIFORNIA CITY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2013**

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|  |                              |
|--|------------------------------|
| Fund balances of governmental funds  | \$ 100,514,949               |
| Amounts reported for governmental activities in the statement of net position are different because:   |                              |
| Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in governmental funds.  | 22,183,453                   |
| Long-term debt and compensated absences are not due on bonds has not been reported in the governmental funds.  |                              |
| Long-term liabilities - Capital leases   | (418,085)                    |
| PERS Side Fund   | (3,679,022)                  |
| Compensated absences   | (768,783)                    |
| Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.   | (14,448)                     |
| Revenues reported as unearned revenue in the governmental funds are recognized in the Statement of Activities. These are included in the taxes and intergovernmental revenues in the governmental fund activity. | <u>11,040,819</u>            |
| Net position of governmental activities  | <u><u>\$ 128,858,883</u></u> |

**See Notes to Basic Financial Statements**

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|   | General      | Special Revenue Funds |  |             |
|---|--------------|-----------------------|--|-------------|
|   |              | Street<br>Maintenance | Subdivision<br>Deferred<br>Improvement | Special Tax |
| <b>REVENUES</b>                                 |              |                       |  |             |
| Taxes   | \$ 1,873,938 | \$ -                  | \$ -                                   | \$ 353,825  |
| Licenses and permits                            | 254,067      |                       |  |             |
| Intergovernmental                               | 1,222,620    | 2,149,488             |  |             |
| Charges for services                            | 102,510      |                       |  |             |
| Fines and forfeitures                           | 48,870       |                       |  |             |
| Use of money and property                       | 32,561       | 647                   | (446,470)                              |             |
| Miscellaneous                                   | 417,707      |                       |  |             |
| Total revenues                                  | 3,952,273    | 2,150,135             | (446,470)                              | 353,825     |
| <b>EXPENDITURES</b>                             |              |                       |  |             |
| Current:  |              |                       |  |             |
| General government                              | 1,895,283    |                       |  |             |
| Public safety                                   | 86,556       |                       |  |             |
| Parks and recreation                            | 289,160      |                       |  |             |
| Public works                                    | 308,361      | 730,370               | 31,581                                 |             |
| Community development                           |              |                       |  |             |
| Capital outlay                                  | 312,566      | 1,959,708             |  |             |
| Debt service:                                   |              |                       |  |             |
| Principal retirement                            | 16,376       |                       |  |             |
| Interest and other charges                      | 3,811        |                       |  |             |
| Total expenditures                              | 2,912,113    | 2,690,078             | 31,581                                 |             |
| Excess of revenues over<br>(under) expenditures | 1,040,160    | (539,943)             | (478,051)                              | 353,825     |
| <b>OTHER FINANCING SOURCES (USES)</b>           |              |                       |  |             |
| Transfers in                                    | 251,351      | 410,321               |  |             |
| Transfers out                                   | (90,021)     | (31,512)              | (290,000)                              | (405,803)   |
| Proceeds from capital lease                     |              |                       |  |             |
| Total other financing<br>sources (uses)         | 161,330      | 378,809               | (290,000)                              | (405,803)   |
| Net changes in fund balances                    | 1,201,490    | (161,134)             | (768,051)                              | (51,978)    |
| Fund balances- July 1, 2012                     | 1,109,207    | 2,676,369             | 94,173,916                             | 140,075     |
| Fund balances - June 30, 2013                   | \$ 2,310,697 | \$ 2,515,235          | \$ 93,405,865                          | \$ 88,097   |

**See Notes to Basic Financial Statements**

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| Special Revenue Funds        |                                |                                |
|------------------------------|--------------------------------|--------------------------------|
| Public<br>Safety<br>Services | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$ 5,918,576                 | \$ 205,528                     | \$ 8,351,867                   |
| 24,933                       |                                | 279,000                        |
|                              | 317,079                        | 3,689,187                      |
| 5,242                        |                                | 107,752                        |
| 32,363                       |                                | 81,233                         |
|                              | 12                             | (413,250)                      |
| 20,762                       | 6,725                          | 445,194                        |
| 6,001,876                    | 529,344                        | 12,540,983                     |
|                              |                                | 1,895,283                      |
| 4,968,153                    | 550,876                        | 5,605,585                      |
|                              | 2,679                          | 291,839                        |
|                              |                                | 1,070,312                      |
|                              | 14,479                         | 14,479                         |
| 224,333                      | 51,392                         | 2,547,999                      |
| 104,477                      | 8,602                          | 129,455                        |
| 16,858                       |                                | 20,669                         |
| 5,313,821                    | 628,028                        | 11,575,621                     |
| 688,055                      | (98,684)                       | 965,362                        |
| 221,298                      | 13,623                         | 896,593                        |
| (4,436)                      |                                | (821,772)                      |
| 113,324                      | 38,596                         | 151,920                        |
| 330,186                      | 52,219                         | 226,741                        |
| 1,018,241                    | (46,465)                       | 1,192,103                      |
|                              | 1,223,279                      | 99,322,846                     |
| \$ 1,018,241                 | \$ 1,176,814                   | \$ 100,514,949                 |



**CITY OF CALIFORNIA CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**

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Net change in fund balances - total governmental funds \$ 1,192,103

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|                      |             |
|----------------------|-------------|
| Capital outlay       | 2,523,541   |
| Depreciation expense | (1,082,887) |

|   |        |
|---|--------|
| Certain taxes and fees in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 11,752 |
|---|--------|

|  |         |
|--|---------|
| Repayment of long term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement on net position. |         |
| Capital leases   | 129,455 |

|  |         |
|--|---------|
| Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. | (2,740) |
|--|---------|

|   |           |
|---|-----------|
| Proceeds from long-term debt is reported as an other financing service in the governmental funds, however it is reported as a long-term liability in the statement of net position. | (151,920) |
|---|-----------|

Compensated absence and PERS side fund expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in a governmental fund. The net changes are:

|                     |                |         |
|---------------------|----------------|---------|
| Compensated absence | \$ (13,555)    |         |
| PERS side fund      | <u>247,391</u> | 233,836 |

|  |                    |
|--|--------------------|
| Revenues reported as unearned revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental \$(1,263,175) | <u>(1,263,175)</u> |
|--|--------------------|

|   |                     |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 1,589,965</u> |
|---|---------------------|

**See Notes to Basic Financial Statements**

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

|  | Business-Type Activities - Enterprise Funds |              |              |                              |               |
|--|---|--------------|--------------|------------------------------|---------------|
|  | Water                                       | Sewer        | Airport      | Other<br>Enterprise<br>Funds | Total         |
| <b>ASSETS</b>                                    |   |              |              |                              |               |
| Current assets:                                  |   |              |              |                              |               |
| Cash and investments                             | \$ 933,807                                  | \$ 461,034   | \$ 150       | \$ 565,692                   | \$ 1,960,683  |
| Receivables:                                     |   |              |              |                              |               |
| Accounts   | 420,674                                     |              | 1,469        | 312                          | 422,455       |
| Taxes  |   | 285          | 266          |                              | 551           |
| Other governments                                |   |              | 172,556      | 170,769                      | 343,325       |
| Prepaid costs                                    | 22,088                                      | 8,901        | 9,820        | 4,181                        | 44,990        |
| Inventories                                      | 177,250                                     |              | 74,700       |                              | 251,950       |
| Restricted:                                      |   |              |              |                              |               |
| Cash and investments with fiscal agents          |   | 143,700      |              |                              | 143,700       |
| Total current assets                             | 1,553,819                                   | 613,920      | 258,961      | 740,954                      | 3,167,654     |
| Noncurrent assets:                               |   |              |              |                              |               |
| Deferred charges                                 |   | 95,441       |              |                              | 95,441        |
| Land held for resale                             |   |              | 4,076,250    |                              | 4,076,250     |
| Capital assets not being depreciated             | 264,985                                     | 20,586       | 233,217      |                              | 518,788       |
| Capital assets - net of accumulated depreciation | 6,586,576                                   | 4,223,694    | 4,392,584    | 155,979                      | 15,358,833    |
| Total noncurrent assets                          | 6,851,561                                   | 4,339,721    | 8,702,051    | 155,979                      | 20,049,312    |
| Total assets                                     | 8,405,380                                   | 4,953,641    | 8,961,012    | 896,933                      | 23,216,966    |
| <b>LIABILITIES</b>                               |   |              |              |                              |               |
| Current liabilities:                             |   |              |              |                              |               |
| Accounts payable                                 | 160,221                                     | 5,926        | 7,298        | 2,118                        | 175,563       |
| Accrued liabilities                              | 31,999                                      | 11,927       | 3,394        | 5,758                        | 53,078        |
| Accrued interest                                 | 65,242                                      | 16,003       |              |                              | 81,245        |
| Deposits payable                                 | 91,178                                      |              |              |                              | 91,178        |
| Due to other funds                               |   |              | 177,127      | 177,462                      | 354,589       |
| Accrued compensated absences                     | 19,780                                      | 47,390       | 4,430        | 3,450                        | 75,050        |
| Bonds, notes, and capital leases                 | 101,314                                     | 45,000       |              |                              | 146,314       |
| Total current liabilities                        | 469,734                                     | 126,246      | 192,249      | 188,788                      | 977,017       |
| Noncurrent liabilities:                          |   |              |              |                              |               |
| Accrued compensated absences                     | 29,668                                      | 71,064       | 6,638        | 5,180                        | 112,550       |
| Bonds, notes, and capital leases                 | 4,936,086                                   | 1,630,000    |              |                              | 6,566,086     |
| Total noncurrent liabilities                     | 4,965,754                                   | 1,701,064    | 6,638        | 5,180                        | 6,678,636     |
| Total liabilities                                | 5,435,488                                   | 1,827,310    | 198,887      | 193,968                      | 7,655,653     |
| <b>NET POSITION</b>                              |   |              |              |                              |               |
| Net investment in capital assets                 | 1,814,161                                   | 2,664,721    | 4,625,801    | 155,979                      | 9,260,662     |
| Restricted for:                                  |   |              |              |                              |               |
| Water meter installation                         | 216,937                                     |              |              |                              | 216,937       |
| Water standby                                    | 2,596,140                                   |              |              |                              | 2,596,140     |
| Unrestricted                                     | (1,657,346)                                 | 461,610      | 4,136,324    | 546,986                      | 3,487,574     |
| Total net position                               | \$ 2,969,892                                | \$ 3,126,331 | \$ 8,762,125 | \$ 702,965                   | \$ 15,561,313 |

See Notes to Basic Financial Statements

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|  | Business-Type Activities - Enterprise Funds |              |              |                              |               |
|--|---|--------------|--------------|------------------------------|---------------|
|  | Water                                       | Sewer        | Airport      | Other<br>Enterprise<br>Funds | Total         |
| <b>OPERATING REVENUES</b>                |   |              |              |                              |               |
| Sales and service charges                | \$ 2,349,336                                | \$ 675,593   | \$ 206,742   | \$ 590,269                   | \$ 3,821,940  |
| Miscellaneous                            | 115   | 3,037        | 18,277       | 2                            | 21,431        |
| Total operating revenues                 | 2,349,451                                   | 678,630      | 225,019      | 590,271                      | 3,843,371     |
| <b>OPERATING EXPENSES</b>                |   |              |              |                              |               |
| Administration and general               | 738,829                                     | 153,803      | 322,179      | 228,333                      | 1,443,144     |
| Source of supply                         | 683,156                                     |              |              |                              | 683,156       |
| Transmission/collection                  | 793,849                                     |              |              |                              | 793,849       |
| Treatment                                | 502,547                                     | 583,910      |              |                              | 1,086,457     |
| Depreciation expense                     | 449,250                                     | 482,640      | 330,186      | 59,595                       | 1,321,671     |
| Total operating expenses                 | 3,167,631                                   | 1,220,353    | 652,365      | 287,928                      | 5,328,277     |
| Operating income (loss)                  | (818,180)                                   | (541,723)    | (427,346)    | 302,343                      | (1,484,906)   |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |   |              |              |                              |               |
| Taxes                                    |   | 16,630       | 33,268       |                              | 49,898        |
| Intergovernmental                        |   |              | 182,556      | 203,608                      | 386,164       |
| Capital contribution                     |   |              | 240,000      |                              | 240,000       |
| Interest revenue                         | 9   | 165          |              | 249                          | 423           |
| Interest and amortization expense        | (198,875)                                   | (103,954)    |              |                              | (302,829)     |
| Total non-operating revenues (expenses)  | (198,866)                                   | (87,159)     | 455,824      | 203,857                      | 373,656       |
| Income (loss) before transfers           | (1,017,046)                                 | (628,882)    | 28,478       | 506,200                      | (1,111,250)   |
| <b>Transfers</b>                         |   |              |              |                              |               |
| Transfers in                             | 1,025,924                                   | 207          | 80,834       | 2                            | 1,106,967     |
| Transfers out                            | (100,240)                                   | (60,228)     |              | (1,021,320)                  | (1,181,788)   |
| Total transfers                          | 925,684                                     | (60,021)     | 80,834       | (1,021,318)                  | (74,821)      |
| Changes in net position                  | (91,362)                                    | (688,903)    | 109,312      | (515,118)                    | (1,186,071)   |
| Net position - July 1, 2012              | 3,061,254                                   | 3,815,234    | 8,652,813    | 1,218,083                    | 16,747,384    |
| Net position - June 30, 2013             | \$ 2,969,892                                | \$ 3,126,331 | \$ 8,762,125 | \$ 702,965                   | \$ 15,561,313 |

**See Notes to Basic Financial Statements**

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|   | Business-Type Activities - Enterprise Funds |              |              |                        |                |
|---|---|--------------|--------------|------------------------|----------------|
|   | Water                                       | Sewer        | Airport      | Other Enterprise Funds | Total          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |              |              |                        |                |
| Cash received from customers and users  | \$ 2,538,925                                | \$ 679,582   | \$ 225,116   | \$ 589,959             | \$ 4,033,582   |
| Cash paid to suppliers for goods and services   | (1,731,142)                                 | (313,485)    | (233,878)    | (42,174)               | (2,320,679)    |
| Cash paid to employees for services   | (1,134,741)                                 | (462,442)    | (125,354)    | (191,712)              | (1,914,249)    |
| Net cash provided (used) by operating activities  | (326,958)                                   | (96,345)     | (134,116)    | 356,073                | (201,346)      |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>   |   |              |              |                        |                |
| Cash transfers in   | 1,025,924                                   | 207          | 80,834       | 2                      | 1,106,967      |
| Cash transfers out  | (100,240)                                   | (60,228)     |              | (1,021,320)            | (1,181,788)    |
| Repayments from other funds   |   |              | 96,293       | 16,277                 | 112,570        |
| Intergovernmental   |   |              | 60,000       | 204,278                | 264,278        |
| Taxes revenue   |   | 16,345       | 33,202       |                        | 49,547         |
| Net cash provided (used) by non-capital financing activities  | 925,684                                     | (43,676)     | 270,329      | (800,763)              | 351,574        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |   |              |              |                        |                |
| Capital contribution  |   |              | 240,000      |                        | 240,000        |
| Acquisition and construction of capital assets  | (6,093)                                     | (1,979)      | (376,213)    | (11,307)               | (395,592)      |
| Principal paid on capital debt  | (93,277)                                    | (40,000)     |              |                        | (133,277)      |
| Interest paid on capital debt   | (199,728)                                   | (99,070)     |              |                        | (298,798)      |
| Net cash provided (used) by capital and related financing activities                                  | (299,098)                                   | (141,049)    | (136,213)    | (11,307)               | (587,667)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |              |              |                        |                |
| Interest received   | 9   | 165          |              | 249                    | 423            |
| Net cash provided (used) by investing activities  | 9   | 165          |              | 249                    | 423            |
| Net increase (decrease) in cash and cash equivalents  | 299,637                                     | (280,905)    |              | (455,748)              | (437,016)      |
| Cash and cash equivalents, July 1, 2012   | 634,170                                     | 885,639      | 150          | 1,021,440              | 2,541,399      |
| Cash and cash equivalents, June 30, 2013  | \$ 933,807                                  | \$ 604,734   | \$ 150       | \$ 565,692             | \$ 2,104,383   |
| <b>RECONCILIATION TO THE STATEMENT OF NET ASSETS:</b>   |   |              |              |                        |                |
| Cash and investments  | \$ 933,807                                  | \$ 461,034   | \$ 150       | \$ 565,692             | \$ 1,960,683   |
| Cash and investments with fiscal agents   |   | 143,700      |              |                        | 143,700        |
| Total   | \$ 933,807                                  | \$ 604,734   | \$ 150       | \$ 565,692             | \$ 2,104,383   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |   |              |              |                        |                |
| Operating income (loss)   | \$ (818,180)                                | \$ (541,723) | \$ (427,346) | \$ 302,343             | \$ (1,484,906) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities  |   |              |              |                        |                |
| Depreciation  | 449,250                                     | 482,640      | 330,186      | 59,595                 | 1,321,671      |
| Changes in assets and liabilities:  |   |              |              |                        |                |
| (Increase) decrease in accounts receivable  | 198,732                                     | 952          | 97           | (312)                  | 199,469        |
| (Increase) decrease in prepaid expense  | 239   | 1,208        | 125          | (371)                  | 1,201          |
| (Increase) decrease in inventories  | 17,733                                      |              | (28,468)     |                        | (10,735)       |
| Increase (decrease) in accounts payable   | (162,767)                                   | (14,670)     | 1,565        | 858                    | (175,014)      |
| Increase (decrease) in accrued liabilities  | 1,881                                       | (226)        | 123          | 641                    | 2,419          |
| Increase (decrease) in deposits payable   | (9,258)                                     |              |              |                        | (9,258)        |
| Increase (decrease) in compensated absences   | (4,588)                                     | (24,526)     | (10,398)     | (6,681)                | (46,193)       |
| Total adjustments   | 491,222                                     | 445,378      | 293,230      | 53,730                 | 1,283,560      |
| Net cash provided (used) by operating activities  | \$ (326,958)                                | \$ (96,345)  | \$ (134,116) | \$ 356,073             | \$ (201,346)   |
| <b>NON-CASH INVESTING, FINANCING, OR CAPITAL ACTIVITIES DURING THE CURRENT FISCAL YEAR:</b>           |   |              |              |                        |                |
| Amortization of deferred charges  | \$ -  | \$ 5,184     | \$ -         | \$ -                   | \$ 5,184       |

See Notes to Basic Financial Statements

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

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|   | Private-Purpose<br>Trust<br>Funds |
|---|-----------------------------------|
| <b>ASSETS</b>                             |                                   |
| Cash and investments                      | \$ 1,999,014                      |
| Cash and investments with fiscal agents   | 1,220,574                         |
| Notes receivable                          | 173,000                           |
| Deferred charges                          | 236,963                           |
| Land held for resale                      | <u>1,987,350</u>                  |
| Total assets                              | <u>5,616,901</u>                  |
| <b>LIABILITIES</b>                        |                                   |
| Due to other governments/accounts payable | 263,731                           |
| Interest payable                          | 326,723                           |
| Unearned revenue                          | 1,043,022                         |
| Noncurrent liabilities:                   |                                   |
| Advances from the City of California City | 21,669,224                        |
| Long-term debt, due within one year       | 882,734                           |
| Long-term debt, due in more than one year | <u>14,570,744</u>                 |
| Total liabilities                         | <u>38,756,178</u>                 |
| <b>NET POSITION (DEFICIT)</b>             |                                   |
| Unrestricted                              | <u><u>\$ (33,139,277)</u></u>     |

**See Notes to Basic Financial Statements**

**CITY OF CALIFORNIA CITY**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

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|   | Private-Purpose<br>Trust<br>Funds |
|---|-----------------------------------|
| <b>ADDITIONS</b>                                |                                   |
| Tax increment                                   | \$ 2,191,708                      |
| Use of money and property                       | 46,573                            |
| Other revenue                                   | <u>2,324</u>                      |
| Total additions                                 | <u>2,240,605</u>                  |
| <b>DEDUCTIONS</b>                               |                                   |
| Community development                           | 400,179                           |
| Interest on long-term debt                      | 1,126,271                         |
| Amortization                                    | <u>70,332</u>                     |
| Total deductions                                | <u>1,596,782</u>                  |
| Change in net position                          | <u>643,823</u>                    |
| Net position (deficit) - July 1, 2012           | (33,560,937)                      |
| Prior period adjustment                         | <u>(222,163)</u>                  |
| Net position (deficit) - July 1, 2012, Restated | <u>(33,783,100)</u>               |
| Net position (deficit) - June 30, 2013          | <u>\$ (33,139,277)</u>            |

**See Notes to Basic Financial Statements**

**Note 1: Organization and Summary of Significant Accounting Policies**

**A. Description of the Reporting Entity**

The City of California City (City) was incorporated in December 1965, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of California City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City:

**Component Units:**

California City Community Services District  
Industrial Development Authority  
California City Financing Authority

**Blended Component Units**

The California City Community Services District is a subsidiary of the City of California City and a detached area within City boundaries from the County service area. As a subsidiary district, the City Council of the City of California City now serves as the District's governing board of directors. Separate financial statements are not prepared for the district.

The Industrial Development Authority was established for the purpose of issuing debt. Separate financial statements are not prepared for the Authority.

The California City Financing Authority was created for the purpose of assisting in the financing and refinancing of certain redevelopment activities of the Agency and certain public programs and projects of the City and for the purpose of aiding in the financing and refinancing of public capital improvements. Separate financial statements are not prepared for the Authority.

Although these component units are legally separate from the City of California City, they are reported as if they were part of the primary government because the governing boards of these component units are the same as the primary government. Furthermore, the purpose of these component units is to provide a safe and more efficient service for the residents of California City.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary fund financial statements only report private-purpose trust funds. Trust funds are to account for the funds of the Successor Agency of the California City Redevelopment Agency. Private-purpose trust funds use the full accrual method of accounting and the economic resources measurement focus.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.



**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street Maintenance Fund accounts for the general upkeep and repair of street pavement and street related capital projects within the City.
- The Subdivision Deferred Improvement Fund accounts for funds dedicated for water and street infrastructure within certain land tracts.
- The Special Tax Fund accounts for the voter approved special tax. The special tax is \$75 per subdivided lot or parcel on each and every assessor's tax number within the corporate limits of the City of California City. These receipts are transferred out to the various uses approved by voters, specifically, police, fire, parks/recreation, streets and water-main repair.
- The Public Safety Services Fund accounts for voter approved special tax (Measure A). The Measure A or Special Tax of \$150 per year, per property parcel would pay for salaries, equipment and other needs for both the Police and Fire departments for the next 6 years starting July 1, 2012.

The City reports the following major proprietary funds:

- The Water Fund accounts for the operations of the City's water utility, a self-supporting activity which is entirely financed through user charges.
- The Sewer Fund accounts for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.
- The Airport Fund accounts for the operations of the City's municipal airport, a self-supporting activity which is financed through user charges.

Additionally, the City reports the following fund types:

- Fiduciary funds financial statements include a statement of net position and statement of changes in net position. The City's fiduciary funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor Agency. The private purpose trust funds are custodial in nature and use the economic resources measurement of results of operations, and use the full accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Position or Equity**

**1. Cash and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

**2. Receivables and Payables (Continued)**

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Kern collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due March 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent on August 31.

**3. Inventories and Prepaid Items**

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method of accounting for inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Infrastructure assets have a capitalization threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets and, as permitted under GASB Statement No. 34, the City will not report any infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

4. Capital Assets (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                     | <u>Life in<br/>Years</u> |
|-----------------------------------|--------------------------|
| Buildings and structures          | 20-50                    |
| Improvements other than buildings | 10-100                   |
| Machinery and equipment           | 3-10                     |
| Water rights                      | 50                       |
| Furniture and fixtures            | 3-20                     |
| Source of supply                  | 20-50                    |
| Transmissions                     | 25                       |
| Water treatment                   | 10                       |

5. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. The total amount of liability for unused vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. The unused reimbursable leave still outstanding following an employee's resignation or retirement are reflected as a current liability in the General Fund since they are expected to be paid with expendable available financial resources.

For proprietary funds, the liability for compensated absences is segregated between short-term and long-term in the fund from which the liability will be paid.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable when an employee is unable to work because of illness. Upon termination an employee will be paid for one-half of any unused sick leave. The vested portion of these compensated absences is accrued at June 30, 2013.

6. Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus, the government-wide statement of net position, governmental funds, and enterprise funds defer revenue recognition for resources that have been received at fiscal year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenue. Under the modified accrual basis of accounting, revenue are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

**7. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Equity/Net Position**

In the fund financial statements with the implementation of GASB Statement No. 54, governmental funds report fund balance is either non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, or unassigned fund balance. See Note 10 for additional information regarding the governmental fund balances.

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a Council's resolution or ordinance.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or committed, assigned, or unassigned or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which restricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity (Continued)**

**8. Fund Equity/Net Position (Continued)**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. In the Government-wide financial statements, proprietary fund financial statements, and private-purpose trust fund financial statements, net position is classified as either net investment in capital assets, restricted, or unrestricted.

- *Net Investment in Capital Assets* describe the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.
- *Restricted* describe the portion of net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, capital projects, and deferred improvement funds restricted to low and moderate income housing purposes.
- *Unrestricted* describes the portion of net position which is not restricted as to use.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

**E. Grant Revenues**

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria are met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

**F. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**G. New Accounting Pronouncements**

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) during the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of GASB Statement No. 60 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November, 30 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities, should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the City's financial statements are explained in Note 1D and Note 10.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**H. Rebatable Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

**I. GANN Spending Limitations**

Under Article XIIB of the California Constitution (the GANN Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the California State Controller or returned to the taxpayers through revised tax rates, revised fee schedules, or other refund arrangements.

**Note 2: Stewardship, Compliance, and Accountability**

**A. Budgetary Data**

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year end all operating budget appropriations lapse.

For fiscal year 2012-2013, the Subdivision Deferred Improvement Fund, the Special Tax Fund, the Housing Authority, and the Park and Recreation Fund had no adopted budget.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in-process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

Budgetary Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP).



**Note 2: Stewardship, Compliance, and Accountability (Continued)**

**B. Expenditures over Appropriations**

| <u>Fund</u>                     | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|---------------------------------|---------------------|-----------------------|---------------|
| Major Governmental Funds:       |                     |                       |               |
| Street Maintenance Fund         | \$ 2,690,078        | \$ 1,812,487          | \$ 877,591    |
| Public Safety Services Fund     | 5,313,821           | 4,975,507             | 338,314       |
| Nonmajor Governmental Funds:    |                     |                       |               |
| Public Safety Augmentation Fund | 159,608             | 120,000               | 39,608        |
| OHV Grant Fund                  | 240,934             | 160,048               | 80,886        |

**C. Deficit Fund Balance**

| <u>Fund</u>      | <u>Amount</u> |
|------------------|---------------|
| Special Revenue: |               |
| OHV Grant        | \$ 133,958    |
| OHV EMS Grant    | 4,393         |

The City expects to eliminate these deficits as future revenues are received.

**Note 3: Cash and Investments**

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled.

Statement of Net Position:

|  |              |
|--|--------------|
| Cash and investments                               | \$ 9,921,844 |
| Restricted cash and investments                    | 83,201,056   |
| Restricted cash and investments with fiscal agents | 143,700      |

Statement of Fiduciary Net Position:

|   |           |
|---|-----------|
| Cash and investments                    | 1,999,014 |
| Cash and investments with fiscal agents | 1,220,574 |

|       |                      |
|-------|----------------------|
| Total | <u>\$ 96,486,188</u> |
|-------|----------------------|

Certain restricted cash and investments are held in separate cash accounts and with fiscal agents for the redemption of debt and for acquisition and construction of capital assets.

Cash and investments as of June 30, 2013 consist of the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on hand                         | \$ 1,870             |
| Deposits with financial institutions | 11,916,319           |
| Investments                          | 84,567,999           |
|                                      | <u>\$ 96,486,188</u> |

**Note 3: Cash and Investments (Continued)**

**GASB Statement No. 31**

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

The investment policy seeks to generate consistent total returns by focusing on preservation of capital and risk management. It seeks to achieve above-benchmark returns consistently throughout market cycles with low volatility relative to its benchmark (5 Yr. Treasury Note). This strategy focuses on active duration management, sector selection, and term structure positioning.

| Authorized<br>Investment Type                       | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>in One Issuer |
|---|---------------------|---------------------------------------|--|
| Local Agency Investment Fund (State Pool)           | N/A                 | None                                  | \$50 million                           |
| U.S. Treasury Obligations                           | 5 years             | None                                  | None                                   |
| U.S. Government Agency Issues                       | 5 years             | 20%                                   | None                                   |
| State of California and Local Agency<br>Obligations | 5 years             | None                                  | 15%                                    |
| California City and RDA Obligations                 | None                | None                                  | 15%                                    |
| Bankers Acceptance (must be dollar<br>denominated)  | 180 days            | 40%                                   | 30%                                    |
| Negotiable Certificates of Deposit                  | 5 years             | 30%                                   | None                                   |
| Non-Negotiable Certificates of Deposit              | 5 years             | None                                  | None                                   |
| Repurchase Agreements                               | 5 years             | None                                  | None                                   |
| Money Market Funds                                  | N/A                 | 20%                                   | None                                   |

**Note 3: Cash and Investments (Continued)**

**Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type                                | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|------------------|---------------------------------|----------------------------------|
| Local Agency Investment Fund (State Pool)                 | N/A              | None                            | None                             |
| U.S. Treasury Obligations                                 | None             | None                            | None                             |
| U.S. Government Agency Issues (Rated AAA)                 | None             | None                            | None                             |
| Municipal Obligations                                     | None             | None                            | None                             |
| Bankers Acceptance (must be dollar denominated) (Rated A) | 360 days         | None                            | None                             |
| Commercial Paper (Rated A)                                | 270 days         | None                            | None                             |
| Certificates of Deposit (Rated A)                         | 360 days         | None                            | None                             |
| Money Market Funds (Rated AAA)                            | N/A              | None                            | None                             |
| Investment Agreements (approved by City)                  | None             | None                            | None                             |

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

| Investment Type                | Totals               | Remaining Maturity (in Months) |                |                    |                     |                      |                     |
|--------------------------------|----------------------|--------------------------------|----------------|--------------------|---------------------|----------------------|---------------------|
|                                |                      | 12 Months Or Less              | 13 - 24 Months | 25-36 Months       | 37-48 Months        | 49-60 Months         | More Than 60 Months |
| State investment pool          | \$ 52,503            | \$ 52,503                      | \$ -           | \$ -               | \$ -                | \$ -                 | \$ -                |
| Money market funds*            | 49,374,240           | 49,374,240                     |                |                    |                     |                      |                     |
| Certificates of deposit        | 795,531              | 795,531                        |                |                    |                     |                      |                     |
| U.S. government agency issues* | 32,981,481           |                                |                | 5,668,700          | 2,266,400           | 19,187,531           | 5,858,850           |
| Held by bond trustees:         |                      |                                |                |                    |                     |                      |                     |
| Money market funds             | 1,364,244            | 1,364,244                      |                |                    |                     |                      |                     |
|                                | <u>\$ 84,567,999</u> | <u>\$51,586,518</u>            | <u>\$ -</u>    | <u>\$5,668,700</u> | <u>\$ 2,266,400</u> | <u>\$ 19,187,531</u> | <u>\$ 5,858,850</u> |

\*The City was not in compliance with its investment policy related to the maximum percentage of portfolio holding and maximum maturity.

**Note 3: Cash and Investments (Continued)**

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| Investment Type               | Amount               | Minimum<br>Legal<br>Rating | Exempt<br>From<br>Disclosure | Rating as of Fiscal Year End |                      |                     |                   |
|-------------------------------|----------------------|----------------------------|------------------------------|------------------------------|----------------------|---------------------|-------------------|
|                               |                      |                            |                              | AAA                          | AA+                  | AA-                 | Not<br>Rated      |
| State investment pool         | \$ 52,503            | N/A                        | \$ -                         | \$ -                         | \$ -                 | \$ -                | \$ 52,503         |
| Money market funds            | 49,374,240           | N/A                        |                              | 49,374,240                   |                      |                     |                   |
| Certificates of deposit       | 795,531              | N/A                        |                              |                              |                      |                     | 795,531           |
| U.S. government agency issues | 32,981,481           | N/A                        |                              |                              | 30,715,081           | 2,266,400           |                   |
| Held by bond trustees:        |                      |                            |                              |                              |                      |                     |                   |
| Money market funds            | 1,364,244            | AAA                        |                              | 1,364,244                    |                      |                     |                   |
| Total                         | <u>\$ 84,567,999</u> |                            | <u>\$ -</u>                  | <u>\$ 50,738,484</u>         | <u>\$ 30,715,081</u> | <u>\$ 2,266,400</u> | <u>\$ 848,034</u> |

**Concentration of Credit Risk**

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are five investments that represent more than 5% of total City investments other than U.S. Government securities, external investment pools, and money market funds (Federal National Mortgage - \$5,832,300, Federal Home Loan Mortgage Corporation - \$6,373,200, Federal Farm Credit Bank - \$4,727,750, Tennessee Valley Authority \$6,982,031 and the Federal Home Loan Bank - \$5,660,900). These amounts are recorded in the governmental activities statement of net position and the balance sheet of the Subdivision Deferred Improvement Fund - a major governmental fund.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Note 3: Cash and Investments (Continued)**

As of June 30, 2013, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in non-collateralized accounts.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The LAIF fair value factor of 1.00028762 was used to calculate the fair value of the investments in LAIF.

**Note 4: Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

|   | Balance at<br>July 1, 2012 | Transfers        | Increases           | Decreases   | Balance at<br>June 30, 2013 |
|---|----------------------------|------------------|---------------------|-------------|-----------------------------|
| <b>Governmental Activities:</b>                 |                            |                  |                     |             |                             |
| Capital assets not being depreciated:           |                            |                  |                     |             |                             |
| Land  | \$ 1,877,518               | \$ -             | \$ -                | \$ -        | \$ 1,877,518                |
| Construction in progress                        | 346,705                    | (346,705)        | 1,436,010           |             | 1,436,010                   |
| Total   | <u>2,224,223</u>           | <u>(346,705)</u> | <u>1,436,010</u>    |             | <u>3,313,528</u>            |
| Depreciable capital assets:                     |                            |                  |                     |             |                             |
| Buildings and structures                        | 5,054,102                  | 346,705          | 205,232             |             | 5,606,039                   |
| Improvements other than buildings               | 17,137,267                 |                  | 503,969             |             | 17,641,236                  |
| Equipment and vehicles                          | 5,063,325                  |                  | 378,330             |             | 5,441,655                   |
| Furniture and fixtures                          | 91,443                     |                  |                     |             | 91,443                      |
| Total   | <u>27,346,137</u>          | <u>346,705</u>   | <u>1,087,531</u>    |             | <u>28,780,373</u>           |
| Less accumulated depreciation for:              |                            |                  |                     |             |                             |
| Buildings improvement                           | (1,967,990)                |                  | (109,605)           |             | (2,077,595)                 |
| Improvements other than buildings               | (2,588,030)                |                  | (666,572)           |             | (3,254,602)                 |
| Equipment and vehicles                          | (4,187,641)                |                  | (306,047)           |             | (4,493,688)                 |
| Furniture and fixtures                          | (83,900)                   |                  | (663)               |             | (84,563)                    |
| Total   | <u>(8,827,561)</u>         |                  | <u>(1,082,887)</u>  |             | <u>(9,910,448)</u>          |
| Total capital assets,<br>being depreciated, net | <u>18,518,576</u>          | <u>346,705</u>   | <u>4,644</u>        |             | <u>18,869,925</u>           |
| Governmental activities<br>capital assets, net  | <u>\$ 20,742,799</u>       | <u>\$ -</u>      | <u>\$ 1,440,654</u> | <u>\$ -</u> | <u>\$ 22,183,453</u>        |

**Note 4: Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

|                       |              |
|-----------------------|--------------|
| General government    | \$ 125,293   |
| Public safety         | 179,033      |
| Parks and recreation  | 120,393      |
| Public works          | 655,662      |
| Community development | <u>2,506</u> |

|  |                     |
|--|---------------------|
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,082,887</u> |
|--|---------------------|

|   | Balance at<br>July 1, 2012 | Increases           | Decreases   | Balance at<br>June 30, 2013 |
|---|----------------------------|---------------------|-------------|-----------------------------|
| <b>Business-Type Activities:</b>                |                            |                     |             |                             |
| Capital assets not being depreciated:           |                            |                     |             |                             |
| Land  | \$ 518,788                 | \$ -                | \$ -        | \$ 518,788                  |
| Total   | <u>518,788</u>             |                     |             | <u>518,788</u>              |
| Depreciable capital assets:                     |                            |                     |             |                             |
| Buildings and structures                        | 1,280,219                  |                     |             | 1,280,219                   |
| Improvements other than buildings               | 26,176,932                 | 149,133             |             | 26,326,065                  |
| Equipment and vehicles                          | 3,070,346                  | 246,459             |             | 3,316,805                   |
| Furniture and fixtures                          | 24,046                     |                     |             | 24,046                      |
| Water rights                                    | 239,472                    |                     |             | 239,472                     |
| Source of supply                                | 2,541,837                  |                     |             | 2,541,837                   |
| Transmission                                    | 9,808,624                  |                     |             | 9,808,624                   |
| Water treatment                                 | 18,309                     |                     |             | 18,309                      |
| Total   | <u>43,159,785</u>          | <u>395,592</u>      |             | <u>43,555,377</u>           |
| Less accumulated depreciation for:              |                            |                     |             |                             |
| Buildings and structures                        | (1,028,810)                | (34,515)            |             | (1,063,325)                 |
| Improvements other than buildings               | (11,867,102)               | (1,002,803)         |             | (12,869,905)                |
| Equipment and vehicles                          | (2,436,250)                | (190,683)           |             | (2,626,933)                 |
| Furniture and fixtures                          | (20,598)                   | (226)               |             | (20,824)                    |
| Water rights                                    | (225,102)                  | (4,789)             |             | (229,891)                   |
| Source of supply                                | (1,809,985)                | (46,015)            |             | (1,856,000)                 |
| Transmission                                    | (9,473,705)                | (40,978)            |             | (9,514,683)                 |
| Water treatment                                 | (13,321)                   | (1,662)             |             | (14,983)                    |
| Total   | <u>(26,874,873)</u>        | <u>(1,321,671)</u>  |             | <u>(28,196,544)</u>         |
| Total capital assets,<br>being depreciated, net | <u>16,284,912</u>          | <u>(926,079)</u>    |             | <u>15,358,833</u>           |
| Business-Type activities<br>capital assets, net | <u>\$ 16,803,700</u>       | <u>\$ (926,079)</u> | <u>\$ -</u> | <u>\$ 15,877,621</u>        |

**Note 4: Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the government as follows:

|   |                    |
|---|--------------------|
| Business-type Activities                              |                    |
| Water   | \$ 449,250         |
| Sewer   | 482,640            |
| Airport   | 330,186            |
| Kern COG transportation                               | 58,635             |
| Water reserve   | 960                |
|   | <hr/>              |
| Total Depreciation Expense - Business-Type Activities | <u>\$1,321,671</u> |

**Note 5: Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2013, is as follows:

**A. Due to/Due from Other Funds**

|                                  | Receivable        | Payable           |
|----------------------------------|-------------------|-------------------|
| Major Governmental Funds:        |                   |                   |
| General                          | \$ 537,244        | \$ -              |
| Subdivision Deferred Improvement |                   | 67                |
| Major Enterprise Fund            |                   |                   |
| Airport                          |                   | 177,127           |
| Nonmajor Governmental Funds:     |                   |                   |
| OHV Grant                        |                   | 132,555           |
| OHV EMS Grant                    |                   | 50,033            |
| Nonmajor Enterprise Fund:        |                   |                   |
| Kern COG Transportation          |                   | 177,462           |
|                                  | <hr/>             | <hr/>             |
| Totals                           | <u>\$ 537,244</u> | <u>\$ 537,244</u> |

Due to the General from the Airport Enterprise Fund and other governmental funds were to cover negative cash balances at June 30, 2013. The amount due the General Fund from the Subdivision Deferred Improvement Fund was for expenditures paid by the General Fund.

**Note 5: Interfund Receivables, Payables, and Transfers (Continued)**

**B. Receivable from RDA Successor Agency Trust**

|                                  | <u>Receivable</u>    | <u>Payable</u>       |
|----------------------------------|----------------------|----------------------|
| Major Governmental Fund:         |                      |                      |
| Subdivision Deferred Improvement | \$ 20,684,224        | \$ -                 |
| Nonmajor Governmental Fund:      |                      |                      |
| Housing Authority                | 985,000              |                      |
| Private Purpose Trust Fund       |                      | <u>21,669,224</u>    |
| Totals                           | <u>\$ 21,669,224</u> | <u>\$ 21,669,224</u> |

During the current and previous fiscal years, the City of California City has made loans to the Agency. These loans bear interest at rates of up to 7.3% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available. However, such demands are not anticipated within the next fiscal year. As of February 1, 2012, the Redevelopment Agency ceased operations as a component unit of the City and all assets and liabilities were transferred to a Private-Purpose Trust Fund except for Housing assets. The interest rate and repayment schedule will be adjusted after review of the California Department of Finance under AB1484. The \$985,000 was considered a loan from the Housing Fund to the former Redevelopment Agency to assist in the payment of its SERAF obligation in a prior year.

**C. Transfers**

|                                  | <u>Transfers in</u> | <u>Transfers out</u> |
|----------------------------------|---------------------|----------------------|
| Major Governmental Funds:        |                     |                      |
| General                          | \$ 251,351          | \$ 90,021            |
| Street Maintenance               | 410,321             | 31,512               |
| Subdivision Deferred Improvement |                     | 290,000              |
| Special Tax                      |                     | 405,803              |
| Public Safety Services           | 221,298             | 4,436                |
| Major Enterprise Funds:          |                     |                      |
| Water                            | 1,025,924           | 100,240              |
| Sewer                            | 207                 | 60,228               |
| Airport                          | 80,834              |                      |
| Nonmajor Governmental Funds:     |                     |                      |
| Public Safety Augmentation       | 9,187               |                      |
| COPS Recovery                    | 4,436               |                      |
| Nonmajor Enterprise Funds:       |                     |                      |
| Kern COG Transportation          | 2                   |                      |
| Water Reserve                    |                     | <u>1,021,320</u>     |
| Totals                           | <u>\$ 2,003,560</u> | <u>\$ 2,003,560</u>  |



**Note 5: Interfund Receivables, Payables, and Transfers (Continued)**

**C. Transfers (Continued)**

The Subdivision Deferred Improvement Fund transferred \$290,000 of stipulated judgment funds to the Street Maintenance Fund.

During the fiscal year, the Special Tax Fund received revenues from Measure B, Measure C, and Measure L special tax. Part of the revenue was transferred as followed: \$59,370 to the General Fund; and \$221,298 to Public Safety Services Fund.

The Street Maintenance Fund, Water Fund, and Sewer Fund transferred out \$31,512, \$60,240, and \$60,228, respectively, to the General Fund for the central garage operations.

The Water Reserve Fund transferred \$1,021,320 to Water Fund during the fiscal year.

**Note 6: Long-Term Obligations**

**A. Governmental Activities Long-Term Debt**

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2013:

|                                | Balance<br>July 1, 2012 | Prior Period<br>Adjustments | Additions         | Repayments          | Balance<br>June 30, 2013 | Due Within<br>One Year |
|--------------------------------|-------------------------|-----------------------------|-------------------|---------------------|--------------------------|------------------------|
| <b>Governmental Activities</b> |                         |                             |                   |                     |                          |                        |
| Capital Leases - Vehicles      | \$ 395,620              | \$ -                        | \$ 151,920        | \$ (129,455)        | \$ 418,085               | \$ 127,560             |
| PERS Side Fund                 |                         | 3,926,413                   | 275,237           | (522,628)           | 3,679,022                | 537,828                |
| Accrued employee benefits      | 755,228                 |                             | 13,555            |                     | 768,783                  | 307,500                |
| <b>Total</b>                   | <b>\$ 1,150,848</b>     | <b>\$ 3,926,413</b>         | <b>\$ 440,712</b> | <b>\$ (652,083)</b> | <b>\$ 4,865,890</b>      | <b>\$ 972,888</b>      |

A description of individual components of long-term debt outstanding and the related debt service requirements to maturity at June 30, 2013, are as follows:

**Capital Leases**

The City has entered into various leases for vehicles which are classified as capital leases. One fire truck, 4 pick-up trucks, one general purpose vehicle, and six police cars. Interest rates range from 4%-6.2% and maturity dates range from December, 2014 to October 2016. The original value of the vehicles was \$755,325. Minimum annual payments including interest amount is \$150,121. The outstanding lease obligations as of June 30, 2013 are \$418,085.

Minimum annual lease requests are as follows:

| Fiscal Year<br>Ending<br>June 30, | Fire Truck        |                  | Other Vehicles    |                  |
|-----------------------------------|-------------------|------------------|-------------------|------------------|
|                                   | Principal         | Interest         | Principal         | Interest         |
| 2014                              | \$ 36,471         | \$ 8,446         | \$ 91,089         | \$ 14,115        |
| 2015                              | 124,746           | 6,907            | 96,149            | 9,053            |
| 2016                              |                   |                  | 61,497            | 3,709            |
| 2017                              |                   |                  | 8,133             | 464              |
| <b>Totals</b>                     | <b>\$ 161,217</b> | <b>\$ 15,353</b> | <b>\$ 256,868</b> | <b>\$ 27,341</b> |

**Note 6: Long-Term Obligations (Continued)**

Public Employees Retirement System Side

During the 2004-05 fiscal year, the City was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding liability at June 30, 2013 was \$3,679,022.

**B. Business-Type Activities Long-Term Debt**

|                                  | Balance<br>July 1, 2012 | Additions   | Repayments          | Balance<br>June 30, 2013 | Due Within<br>One Year |
|----------------------------------|-------------------------|-------------|---------------------|--------------------------|------------------------|
| <b>Business-Type Activities:</b> |                         |             |                     |                          |                        |
| 2003 revenue bonds               | \$ 1,715,000            | \$ -        | \$ (40,000)         | \$ 1,675,000             | \$ 45,000              |
| USDA Loan                        | 4,730,004               |             | (61,075)            | 4,668,929                | 63,670                 |
| Contracts payable                | 400,673                 |             | (32,202)            | 368,471                  | 37,644                 |
| Accrued employee benefits        | 233,793                 |             | (46,193)            | 187,600                  | 75,050                 |
| <b>Total</b>                     | <b>\$ 7,079,470</b>     | <b>\$ -</b> | <b>\$ (179,470)</b> | <b>\$ 6,900,000</b>      | <b>\$ 221,364</b>      |

2003 Lease Revenue Bonds

On November 6, 2003, the California City Financing Authority issued Lease Revenue Bonds in the amount of \$2,000,000. The bonds were issued to reimburse the City for costs incurred in connection with the expansion of the City's wastewater treatment plant and related facilities. The bonds consist of \$955,000 serial bonds and \$1,045,000 term bonds. The bonds are secured by and payable from lease payments to be received by the Authority from the City under the terms of a lease agreement. The \$955,000 serial bonds mature annually each November 1 from 2004 to 2023, in amounts ranging from \$30,000 to \$75,000 and bear interest at rates ranging from 3.25% to 6.00%. Interest is payable semi-annually on May 1 and November 1. \$450,000 of the term bonds will mature on November 1, 2028, and bear interest at 6.00%. The remaining \$595,000 term bonds will mature on November 1, 2033, and bears interest at 6.10%. Interest on the term bonds is also payable on May 1 and November 1. The outstanding term bonds maturing on November 1, 2028 and November 1, 2033, are subject to redemption in part by lot on November 1 of each year thereafter, from sinking account payments, in amounts from \$80,000 to \$135,000. At June 30, 2013, the outstanding balance on the lease revenue bonds was \$1,675,000.

**Note 6: Long-Term Obligations (Continued)**

**B. Business-Type Activities Long-Term Debt (Continued)**

2003 Lease Revenue Bonds (Continued)

Following is the debt service to maturity:

| Fiscal Year<br>Ending<br>June 30, | Principal           | Interest            | Total               |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2014                              | \$ 45,000           | \$ 97,047           | \$ 142,047          |
| 2015                              | 45,000              | 94,821              | 139,821             |
| 2016                              | 50,000              | 92,407              | 142,407             |
| 2017                              | 50,000              | 89,795              | 139,795             |
| 2018                              | 55,000              | 86,985              | 141,985             |
| 2019-2023                         | 310,000             | 385,857             | 695,857             |
| 2024-2028                         | 425,000             | 278,226             | 703,226             |
| 2029-2033                         | 560,000             | 130,489             | 690,489             |
| 2034                              | 135,000             | 4,118               | 139,118             |
|                                   | <u>\$ 1,675,000</u> | <u>\$ 1,259,745</u> | <u>\$ 2,934,745</u> |

USDA Loan

During fiscal year 2007-08, the City drew down on a \$5,000,000 loan approved by the United States Department of Agriculture to improve the City's water distribution system. The loan bears interest at 4.25% per annum and principal is due in annual installment on September 1 of each fiscal year until 2046. As of June 30, 2013, the outstanding balance of the loan is \$4,668,929. Following is the debt service to maturity:

| Fiscal Year<br>Ending<br>June 30, | Principal           | Interest            | Total               |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2014                              | \$ 63,670           | \$ 197,069          | \$ 260,739          |
| 2015                              | 66,376              | 194,306             | 260,682             |
| 2016                              | 69,197              | 191,424             | 260,621             |
| 2017                              | 72,138              | 188,422             | 260,560             |
| 2018                              | 75,204              | 185,290             | 260,494             |
| 2019-2023                         | 426,767             | 874,624             | 1,301,391           |
| 2024-2028                         | 525,500             | 773,792             | 1,299,292           |
| 2029-2033                         | 647,073             | 649,636             | 1,296,709           |
| 2034-2038                         | 796,769             | 496,759             | 1,293,528           |
| 2039-2043                         | 981,101             | 308,510             | 1,289,611           |
| 2044-2047                         | 945,134             | 83,154              | 1,028,288           |
|                                   | <u>\$ 4,668,929</u> | <u>\$ 4,142,986</u> | <u>\$ 8,811,915</u> |

**Note 6: Long-Term Obligations (Continued)**

**B. Business-Type Activities Long-Term Debt (Continued)**

**Contract Payable – Boron Valley Water**

On July 1, 1974, the City received from California City Community Services District (the District) all rights, title and interest in any and all district assets whether real or personal, except for certain unimproved park sites and bond obligations. In connection with the above transfer of assets, the City has continued payments related to the obligation entered into by the District with Boron Valley Water Development Company on March 21, 1960. Following is a condensed analysis of the agreement with the District:

The District entered into an agreement on March 21, 1960, to purchase from the Boron Valley Water Development Company the water rights and water system owned by the Company. The purchase price is not to exceed \$1,350,000 and is to be paid for by a two and one-half cents (\$.025) per one hundred (100) cubic feet charge for all water produced from any well in Area A as measured at the well site. This charge is to start 10 years from the date of closing and run for 50 years. The Company waives any interest on the purchase price and in lieu thereof the District agrees to pay from date of closing, but not to exceed 60 years there from, \$.025 per 100 cubic feet for all water produced from any well in Area A sold by the District outside the boundaries of the District. Such amount shall not be credited against the \$1,350,000 maximum payment.

In an amendment to the March 21, 1960, agreement with Boron Valley Water Development Company, dated July 1, 1967, Section 6 was amended to provide that two and one-half cents per 100 cubic feet of water produced from any well in Area A was not to apply to production for water used by the City for municipal purposes such as recreational facilities, parks, landscaping on public parkways, etc.

Payments are made annually each July 15. As of June 30, 2013, \$328,396 was due on the note. The estimated portion on the Contract due within one year is \$31,705.

**Contract Payable – Southern California Edison (SCE)**

On May 18, 2012, the City entered into an On-Bill Financing agreement with Southern California Edison for the purpose of financing certain energy efficient improvements. The amount of the agreement is \$43,071 and is to be paid at 0% interest over 15 months. These payments are to be billed to the City within its normal energy bill provided by SCE. The outstanding balance as of June 30, 2013, is \$40,075. The current portion due within one year is \$5,939.

**Accrued Employee Benefits**

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. For business-type activities, the liability will be paid in future years from the Proprietary Funds.

**Note 7: Retirement Plan**

**A. California Public Employees Retirement System (PERS)**

Plan Description

The City of California City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 23.687% for miscellaneous employees and 43.275% for safety employees, and an additional 20.084% for 2nd tier police employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost of \$1,140,069 for PERS was equal to the City's required and actual contributions. The City also made contributions on for and behalf of its employees which totaled \$337,699. Therefore, the total contribution to CALPERS was \$1,477,768. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS

| Fiscal Year | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------|-------------------------------|------------------------|
| 6/30/2011   | \$ 1,257,000              | 100%                          | \$ -                   |
| 6/30/2012   | \$ 1,144,810              | 100%                          | \$ -                   |
| 6/30/2013   | \$ 1,140,069              | 100%                          | \$ -                   |

The City of California City participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contributions are almost identical to what the rates would have been outside the pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

**Note 7: Retirement Plan (Continued)**

**B. Public Agency Retirement Services (PARS)**

In November 2005, the city entered into a defined contribution plan with the Public Agency Retirement System (PARS) for all of its part-time employees. The plan was established by City Resolution and may be amended by the City Council. The plan is administered by PARS under its 457 Alternate Retirement System.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. The City contributes 0%, and the employees contribute 7.5% of their salaries. The contributions and any interest earned immediately vest in full.

For the fiscal year ended June 30, 2013, the City's covered payroll was \$233,756 for the 107 employees participating in the plan. The employees contributed \$25,032 during the fiscal year. Assets of the plan totaled \$76,517 at June 30, 2013.

**Note 8: Summary Disclosure of Self-Insurance Contingencies**

The City is self-insured for the first \$100,000 on each general liability claim. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC) up to a limit of \$35,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in the yearly deposit it pays to PARSAC, except for its self-insured retention.

Effective January 20, 1998, the City became a member of the PARSAC, a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums. The City continues to carry commercial insurance for all other risks of loss, including workers' compensation insurance, property insurance with a \$5,000 deductible and employee dishonesty insurance with a \$25,000 deductible.

The PARSAC publishes its own financial report for the year ended June 30, 2013, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California. There have been no significant changes in insurance coverage from the prior year. During the past three fiscal years, the amount of settlements has not exceeded the amount of insurance coverage.

**Note 9: Contingencies**

The City is involved in various lawsuits including litigation with the California Department of Finance (DOF) in regards to the loan between the former redevelopment agency and the Subdivision Deferred Improvement fund (SDI). See additional information in Note 5 and Note 11. If the DOF prevails, the possible amount of loss could be the entire loan amount including principal and interest. Although the outcome of the various lawsuits is not presently determinable, it is the opinion of management and legal counsel, that the resolution of these matters will not have a material adverse effect on the City's financial statements except possibly the litigation with DOF.

The City has received various state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**Note 10: Net Position/Fund Balances**

At June 30, 2013, the City had recorded restricted net position in the governmental activities and business-type activities as follows:

|                          | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Restricted for:          |                            |                             |
| Community development    | \$ 150,926                 | \$ -                        |
| Public works             | 106,728,181                |                             |
| Parks and recreation     | 18,549                     |                             |
| Public safety            | 1,244,200                  |                             |
| Housing                  | 1,200,518                  |                             |
| Water meter installation |                            | 216,937                     |
| Water standby            |                            | 2,596,140                   |
| Total Restricted         | <u>\$ 109,342,374</u>      | <u>\$ 2,813,077</u>         |

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2013 are as follows:

| Fund Balances           | General<br>Fund     | Street<br>Maintenance | Subdivision<br>Deferred<br>Improvement | Special<br>Tax   | Public<br>Safety<br>Services | Other<br>Governmental<br>Funds | Totals                |
|-------------------------|---------------------|-----------------------|--|------------------|------------------------------|--------------------------------|-----------------------|
| Nonspendable:           |                     |                       |  |                  |                              |                                |                       |
| Inventory               | \$ 3,453            | \$ -                  | \$ -                                   | \$ -             | \$ -                         | \$ -                           | \$ 3,453              |
| Prepaid                 | 17,303              | 8,090                 |  |                  | 87,315                       | 2,151                          | 114,859               |
| Total Nonspendable      | <u>20,756</u>       | <u>8,090</u>          |  |                  | <u>87,315</u>                | <u>2,151</u>                   | <u>118,312</u>        |
| Restricted for:         |                     |                       |  |                  |                              |                                |                       |
| Housing                 |                     |                       |  |                  |                              | 1,200,518                      | 1,200,518             |
| Parks and Recreation    |                     |                       |  |                  |                              | 18,549                         | 18,549                |
| Public Safety           |                     |                       |  |                  | 930,926                      | 31,118                         | 962,044               |
| Streets and Roads       |                     | 2,507,145             |  |                  |                              |                                | 2,507,145             |
| Subdivision Improvement |                     |                       | 93,405,865                             |                  |                              |                                | 93,405,865            |
| Community Development   |                     |                       |  | 88,097           |                              | 62,829                         | 150,926               |
| Total Restricted        | <u></u>             | <u>2,507,145</u>      | <u>93,405,865</u>                      | <u>88,097</u>    | <u>930,926</u>               | <u>1,313,014</u>               | <u>98,245,047</u>     |
| Assigned for:           |                     |                       |  |                  |                              |                                |                       |
| PARSAC Insurance        | 100,000             |                       |  |                  |                              |                                | 100,000               |
| Total Assigned          | <u>100,000</u>      | <u></u>               | <u></u>                                | <u></u>          | <u></u>                      | <u></u>                        | <u>100,000</u>        |
| Unassigned              | <u>2,189,941</u>    | <u></u>               | <u></u>                                | <u></u>          | <u></u>                      | <u>(138,351)</u>               | <u>2,051,590</u>      |
| Total Fund Balances     | <u>\$ 2,310,697</u> | <u>\$ 2,515,235</u>   | <u>\$ 93,405,865</u>                   | <u>\$ 88,097</u> | <u>\$ 1,018,241</u>          | <u>\$ 1,176,814</u>            | <u>\$ 100,514,949</u> |

**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency**

**A. Description**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of California City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**A. Description (Continued)**

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets units they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of a City ordinance.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the Redevelopment Agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.



**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**B. Long-Term Obligations**

- a. The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2013:

|                                 | Balance<br>July 1, 2012 | Prior Period<br>Adjustments | Additions   | Repayments          | Balance<br>June 30, 2013 | Due Within<br>One Year |
|---------------------------------|-------------------------|-----------------------------|-------------|---------------------|--------------------------|------------------------|
| City Loans - Principal          | \$ 10,862,142           | \$ -                        | \$ -        | \$ -                | \$ 10,862,142            | \$ -                   |
| City Loans - Unpaid Interest    | 10,807,082              |                             |             |                     | 10,807,082               |                        |
| Developer Loans - Hyundai       | 687,094                 | 222,163                     |             | (162,917)           | 746,340                  | 171,878                |
| Van Pray Note                   | 2,972,847               |                             |             | (259,561)           | 2,713,286                | 264,272                |
| TAB - 2000 Senior Series A      | 8,965,000               |                             |             | (150,000)           | 8,815,000                | 165,000                |
| TAB - 2000 Subordinate Series A | 1,140,000               |                             |             | (220,000)           | 920,000                  | 260,000                |
| TAB - 2000 Series B             | 2,545,000               |                             |             | (75,000)            | 2,470,000                | 80,000                 |
| Deferred Loss on Refunding      | (151,781)               |                             |             | 48,000              | (103,781)                | (48,000)               |
| Original Issuance Discount      | (117,783)               |                             |             | 10,416              | (107,367)                | (10,416)               |
| Total                           | <u>\$ 37,709,601</u>    | <u>\$ 222,163</u>           | <u>\$ -</u> | <u>\$ (809,062)</u> | <u>\$ 37,122,702</u>     | <u>\$ 882,734</u>      |

- b. A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2013, follows:

**Advances from City**

The Housing Authority of the City of California City advanced funds to the Redevelopment Agency in the amount of \$985,000 to assist in the payment of its SERAF payment for the fiscal year ended June 30, 2013.

The City advanced the Agency funds for operations and has paid for costs at various times since the establishment of the Redevelopment Agency. Costs paid on behalf of the Agency do not have a stated interest rate. The loans made to the Agency bear interest at various rates as specified below:

**SDI Fund – Land Loan**

Authorized amount \$4,500,000; interest at 6.6% per annum.

**SDI Fund – Treatment Plant Note**

Authorized amount \$5,902,000; interest at 7.3% per annum. Principal and interest are to be repaid in 20 installments commencing July 1, 2003.

At June 30, 2013, principal balance outstanding was \$10,862,142 and accrued unpaid interest was \$10,807,082.

**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**B. Long-Term Obligations (Continued)**

**Developer Loans**

In a memorandum of agreement dated June 2002, the Agency and Hyundai America Technical Center agreed that the Agency would install water and provide adequate paved access from the south side of California City to the property boundary at the City's and Agency's sole expense. In addition, they agreed that if the Agency decided to include the Hyundai Project in the amended Redevelopment Project Area, then the City and the Agency would reimburse Hyundai 49% of the cost to defend any litigation files challenging the Redevelopment Project Area. Hyundai has paid for all of the costs mentioned above. As of June 30, 2013, the outstanding balance was \$746,340.

**Van Pray Note**

In November 2007, the Agency entered into a purchase agreement with Pray Living Trust U.D.T. for the purchase of improved real property. Consideration for the property is an unsecured note payable for \$4,000,000. Monthly payments of \$26,181 include both principal and interest at a rate of 5% for the first year. Thereafter, a variable rate of interest will be paid semi-annually effective January 1 and July 1. The variable rate is the Annual Libor rate, plus 0.75% for the last day of May and November, respectively. As of June 30, 2013, the outstanding balance was \$2,713,286.

**Bonds**

In January 2000, the Agency issued \$10,380,000 California City Redevelopment Project Area Tax Allocation Refunding Bonds, Senior 2000 Series A, \$2,060,000 California City Redevelopment Project Area Tax Allocation Refunding Bonds, Subordinated 2000 Series A and \$3,235,000 California City Redevelopment Project Area Housing Tax Allocation Refunding Bonds, 2000 Series B. Interest on the bonds is payable semi-annually on March 1 and September 1, of each fiscal year commencing March 1, 2000.

**Senior 2000 Series A**

The bonds mature and bear interest at the rate specified below:

| <u>Fiscal Years</u><br><u>Endng June 30,</u> | <u>Principal</u> | <u>Rate</u> |
|--|------------------|-------------|
| 2000   | \$ 385,000       | 4.75 %      |
| 2001   | 55,000           | 5.00        |
| 2002   | 55,000           | 5.25        |
| 2003   | 60,000           | 5.50        |
| 2004   | 65,000           | 5.75        |
| 2005   | 90,000           | 6.00        |

The remainder is \$9,670,000 7.75% term bonds, due September 1, 2034. At June 30, 2013, the outstanding balance was \$8,815,000.

**Subordinated 2000 Series A**

The Subordinated Series A Bonds are \$2,060,000, 7.000% term bonds, due September 1, 2015. At June 30, 2013, the outstanding balance was \$920,000.

**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**B. Long-Term Obligations (Continued)**

**Bonds (Continued)**

2000 Series B

The bonds mature and bear interest at the rates specified below:

| Fiscal Years<br>Ending June 30, | Principal  | Rate   | Fiscal Years<br>Ending June 30, | Principal | Rate   |
|---------------------------------|------------|--------|---------------------------------|-----------|--------|
| 2000                            | \$ 125,000 | 4.75 % | 2008                            | \$ 55,000 | 6.30 % |
| 2001                            | 40,000     | 5.00   | 2009                            | 60,000    | 6.50   |
| 2002                            | 40,000     | 5.25   | 2010                            | 65,000    | 6.60   |
| 2003                            | 40,000     | 5.50   | 2011                            | 70,000    | 6.70   |
| 2004                            | 45,000     | 5.75   | 2012                            | 75,000    | 6.80   |
| 2005                            | 45,000     | 6.00   | 2013                            | 80,000    | 6.90   |
| 2006                            | 50,000     | 6.20   | 2014                            | 85,000    | 7.00   |
| 2007                            | 55,000     | 6.30   | 2015                            | 90,000    | 7.10   |

Of the remainder, \$555,000 are 7.375% term bonds due September 1, 2020, and \$1,660,000 are 7.500% term bonds due September 1, 2029. At June 30, 2013, the outstanding balance was \$2,470,000.

- c. The following schedule illustrates the debt service requirements to maturity for long-term debt outstanding as of June 30, 2013:

| Fiscal Years<br>Ending<br>June 30, | Hyundai DDA       |                   | Van Pray Note       |                   |
|------------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                    | Principal         | Interest          | Principal           | Interest          |
| 2014                               | \$ 171,878        | \$ 41,049         | \$ 264,272          | \$ 46,666         |
| 2015                               | 181,331           | 31,595            | 269,068             | 41,870            |
| 2016                               | 191,305           | 21,622            | 273,952             | 36,986            |
| 2017                               | 201,826           | 11,100            | 278,923             | 32,015            |
| 2018                               |                   |                   | 283,986             | 26,952            |
| 2019-2023                          |                   |                   | 1,343,085           | 56,136            |
| Totals                             | <u>\$ 746,340</u> | <u>\$ 105,366</u> | <u>\$ 2,713,286</u> | <u>\$ 240,625</u> |

**Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)**

**B. Long-Term Obligations (Continued)**

| Fiscal Years<br>Ending<br>June 30, | Tax Allocation Bonds,<br>Senior 2000 Series A |                    | Tax Allocation Bonds,<br>Subordinated 2000 Series A |                   | Tax Allocation Bonds,<br>2000 Series B |                    |
|------------------------------------|---|--------------------|---|-------------------|--|--------------------|
|                                    | Principal                                     | Interest           | Principal   | Interest          | Principal                              | Interest           |
| 2014                               | \$ 165,000                                    | \$ 676,769         | \$ 260,000  | \$ 55,300         | \$ 80,000                              | \$ 180,531         |
| 2015                               | 175,000                                       | 663,594            | 305,000   | 35,525            | 85,000                                 | 174,795            |
| 2016                               | 190,000                                       | 649,450            | 355,000   | 12,425            | 90,000                                 | 168,627            |
| 2017                               | 205,000                                       | 634,144            |   |                   | 95,000                                 | 161,927            |
| 2018                               | 220,000                                       | 617,675            |   |                   | 105,000                                | 154,553            |
| 2019-2023                          | 1,390,000                                     | 2,792,325          |   |                   | 635,000                                | 642,254            |
| 2024-2028                          | 2,020,000                                     | 2,139,002          |   |                   | 910,000                                | 357,000            |
| 2029-2033                          | 2,935,000                                     | 1,189,044          |   |                   | 470,000                                | 36,000             |
| 2034-2036                          | 1,515,000                                     | 119,543            |   |                   |  |                    |
| Totals                             | <u>\$8,815,000</u>                            | <u>\$9,481,546</u> | <u>\$ 920,000</u>                                   | <u>\$ 103,250</u> | <u>\$2,470,000</u>                     | <u>\$1,875,687</u> |

**Note 12: Prior Period Adjustments**

Prior period adjustment of \$3,926,413 made to the Government-wide statements was due to an understatement of the PERS Side Fund obligation.

Prior period adjustment of \$222,163 made to the Private-purpose trust fund was due to an understatement of the developer loan.

**Note 13: Subsequent Events**

Management of the City has evaluated subsequent events through March 20, 2014, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

**Note 14: Related Parties**

The City uses a local hardware store to purchase goods and supplies from. This is a City-wide decision to purchase locally. The store is owned and operated by the son of a Councilmember. The City was using this vendor prior to the Councilmember's election to City Council. Total purchases approximated \$47 thousand for the fiscal year ended June 30, 2013.

**CITY OF CALIFORNIA CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**

|   | Budgeted Amounts |              | Actual       | Variance with |
|---|------------------|--------------|--------------|---------------|
|   | Original         | Final        | Amount       | Final Budget  |
|   |                  |              |              | Positive      |
|   |                  |              |              | (Negative)    |
| <b>REVENUES</b>                                 |                  |              |              |               |
| Taxes   | \$ 1,480,000     | \$ 1,480,000 | \$ 1,873,938 | \$ 393,938    |
| Licenses and permits                            | 171,500          | 171,500      | 254,067      | 82,567        |
| Intergovernmental                               | 1,090,500        | 1,090,500    | 1,222,620    | 132,120       |
| Charges for services                            | 66,500           | 66,500       | 102,510      | 36,010        |
| Fines and forfeitures                           | 40,500           | 40,500       | 48,870       | 8,370         |
| Use of money and property                       | 26,400           | 26,400       | 32,561       | 6,161         |
| Miscellaneous                                   | 194,000          | 194,000      | 417,707      | 223,707       |
| Total revenues                                  | 3,069,400        | 3,069,400    | 3,952,273    | 882,873       |
| <b>EXPENDITURES</b>                             |                  |              |              |               |
| Current:  |                  |              |              |               |
| General government                              | 1,139,185        | 1,139,185    | 1,895,283    | (756,098)     |
| Public safety                                   | 66,668           | 66,668       | 86,556       | (19,888)      |
| Parks and recreation                            | 286,170          | 286,170      | 289,160      | (2,990)       |
| Public works                                    | 423,462          | 423,462      | 308,361      | 115,101       |
| Community development                           | 246,436          | 246,436      |              | 246,436       |
| Capital outlay                                  | 815,832          | 815,832      | 312,566      | 503,266       |
| Debt service:                                   |                  |              |              |               |
| Principal retirement                            |                  |              | 16,376       | (16,376)      |
| Interest and other charges                      |                  |              | 3,811        | (3,811)       |
| Total expenditures                              | 2,977,753        | 2,977,753    | 2,912,113    | 65,640        |
| Excess of revenues over<br>(under) expenditures | 91,647           | 91,647       | 1,040,160    | 948,513       |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                  |              |              |               |
| Transfers in                                    | 191,973          | 191,973      | 251,351      | 59,378        |
| Transfers out                                   |                  |              | (90,021)     | (90,021)      |
| Total other financing<br>sources (uses)         | 191,973          | 191,973      | 161,330      | (30,643)      |
| Net change in fund balance                      | 283,620          | 283,620      | 1,201,490    | 917,870       |
| Fund balance - July 1, 2012                     | 1,109,207        | 1,109,207    | 1,109,207    |               |
| Fund balance - June 30, 2013                    | \$ 1,392,827     | \$ 1,392,827 | \$ 2,310,697 | \$ 917,870    |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
STREET MAINTENANCE SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|   | Budgeted Amounts    |                     | Actual              | Variance with     |
|---|---------------------|---------------------|---------------------|-------------------|
|   | Original            | Final               | Amount              | Final Budget      |
|   |                     |                     |                     | Positive          |
|   |                     |                     |                     | (Negative)        |
| <b>REVENUES</b>                                 |                     |                     |                     |                   |
| Intergovernmental                               | \$ 713,600          | \$ 713,600          | \$ 2,149,488        | \$ 1,435,888      |
| Use of money and property                       |                     |                     | 647                 | 647               |
| Total revenues                                  | 713,600             | 713,600             | 2,150,135           | 1,436,535         |
| <b>EXPENDITURES</b>                             |                     |                     |                     |                   |
| Current:  |                     |                     |                     |                   |
| Public works                                    | 876,487             | 876,487             | 730,370             | 146,117           |
| Capital outlay                                  | 936,000             | 936,000             | 1,959,708           | (1,023,708)       |
| Total expenditures                              | 1,812,487           | 1,812,487           | 2,690,078           | (877,591)         |
| Excess of revenues over<br>(under) expenditures | (1,098,887)         | (1,098,887)         | (539,943)           | 558,944           |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                     |                     |                     |                   |
| Transfers in                                    | 290,000             | 290,000             | 410,321             | 120,321           |
| Transfers out                                   |                     |                     | (31,512)            | (31,512)          |
| Total other financing<br>sources (uses)         | 290,000             | 290,000             | 378,809             | 88,809            |
| Net change in fund balance                      | (808,887)           | (808,887)           | (161,134)           | 647,753           |
| Fund balance - July 1, 2012                     | 2,676,369           | 2,676,369           | 2,676,369           |                   |
| Fund balance - June 30, 2013                    | <u>\$ 1,867,482</u> | <u>\$ 1,867,482</u> | <u>\$ 2,515,235</u> | <u>\$ 647,753</u> |

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**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC SAFETY SERVICES SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|   | Budgeted Amounts |              | Actual       | Variance with                          |
|---|------------------|--------------|--------------|--|
|   | Original         | Final        | Amount       | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                 |                  |              |              |  |
| Taxes   | \$ 5,496,900     | \$ 5,496,900 | \$ 5,918,576 | \$ 421,676                             |
| Licenses and permits                            |                  |              | 24,933       | 24,933                                 |
| Charges for services                            |                  |              | 5,242        | 5,242                                  |
| Fines and forfeitures                           |                  |              | 32,363       | 32,363                                 |
| Miscellaneous                                   |                  |              | 20,762       | 20,762                                 |
| Total revenues                                  | 5,496,900        | 5,496,900    | 6,001,876    | 504,976                                |
| <b>EXPENDITURES</b>                             |                  |              |              |  |
| Current:  |                  |              |              |  |
| Public safety                                   | 4,784,007        | 4,784,007    | 4,968,153    | (184,146)                              |
| Capital outlay                                  | 191,500          | 191,500      | 224,333      | (32,833)                               |
| Debt service:                                   |                  |              |              |  |
| Principal retirement                            |                  |              | 104,477      | (104,477)                              |
| Interest and other charges                      |                  |              | 16,858       | (16,858)                               |
| Total expenditures                              | 4,975,507        | 4,975,507    | 5,313,821    | (338,314)                              |
| Excess of revenues over<br>(under) expenditures | 521,393          | 521,393      | 688,055      | 166,662                                |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                  |              |              |  |
| Transfers in                                    |                  |              | 221,298      | 221,298                                |
| Transfers out                                   |                  |              | (4,436)      | (4,436)                                |
| Proceeds from Capital lease                     |                  |              | 113,324      | 113,324                                |
| Total other financing<br>sources (uses)         |                  |              | 330,186      | 330,186                                |
| Net change in fund balance                      | 521,393          | 521,393      | 1,018,241    | 496,848                                |
| Fund balance - July 1, 2012                     |                  |              |              |  |
| Fund balance - June 30, 2013                    | \$ 521,393       | \$ 521,393   | \$ 1,018,241 | \$ 496,848                             |



**CITY OF CALIFORNIA CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

|                                      | Special Revenue Funds              |                                  |                                       |                      |
|--------------------------------------|------------------------------------|----------------------------------|---------------------------------------|----------------------|
|                                      | Supplemental<br>Law<br>Enforcement | Public<br>Safety<br>Augmentation | Aspen Mall<br>Maintenance<br>District | Housing<br>Authority |
| <b>ASSETS</b>                        |                                    |                                  |                                       |                      |
| Cash and investments                 | \$ 12,591                          | \$ 993                           | \$ 65,535                             | \$ 215,518           |
| Receivables:                         |                                    |                                  |                                       |                      |
| Taxes                                |                                    | 13,432                           |                                       |                      |
| Other governments                    |                                    | 18,735                           |                                       |                      |
| Successor Agency receivable          |                                    |                                  |                                       | 985,000              |
| Prepaid costs                        | 2,151                              |                                  |                                       |                      |
| Total assets                         | <u>\$ 14,742</u>                   | <u>\$ 33,160</u>                 | <u>\$ 65,535</u>                      | <u>\$ 1,200,518</u>  |
| <b>LIABILITIES AND FUND BALANCES</b> |                                    |                                  |                                       |                      |
| Liabilities:                         |                                    |                                  |                                       |                      |
| Accounts payable                     | \$ 1,508                           | \$ 10,247                        | \$ 2,706                              | \$ -                 |
| Accrued liabilities                  | 2,878                              |                                  |                                       |                      |
| Unearned revenue                     |                                    |                                  |                                       |                      |
| Due to other funds                   |                                    |                                  |                                       |                      |
| Total liabilities                    | <u>4,386</u>                       | <u>10,247</u>                    | <u>2,706</u>                          |                      |
| Fund balances:                       |                                    |                                  |                                       |                      |
| Nonspendable:                        |                                    |                                  |                                       |                      |
| Prepaid costs                        | 2,151                              |                                  |                                       |                      |
| Restricted for:                      |                                    |                                  |                                       |                      |
| Housing                              |                                    |                                  |                                       | 1,200,518            |
| Parks and recreation                 |                                    |                                  |                                       |                      |
| Maintenance district                 |                                    |                                  | 62,829                                |                      |
| Public safety                        | 8,205                              | 22,913                           |                                       |                      |
| Unassigned                           |                                    |                                  |                                       |                      |
| Total fund balances (deficits)       | <u>10,356</u>                      | <u>22,913</u>                    | <u>62,829</u>                         | <u>1,200,518</u>     |
| Total liabilities and fund balances  | <u>\$ 14,742</u>                   | <u>\$ 33,160</u>                 | <u>\$ 65,535</u>                      | <u>\$ 1,200,518</u>  |

| Special Revenue Funds |                  |                   |                  | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------------|------------------|-------------------|------------------|--|
| Park &<br>Recreation  | COPS<br>Recovery | OHV<br>Grant      | OHV EMS<br>Grant |  |
| \$ 19,024             | \$ -             | \$ -              | \$ -             | \$ 313,661                                 |
|                       |                  | 133,958           | 51,455           | 13,432                                     |
|                       |                  |                   |                  | 204,148                                    |
|                       |                  |                   |                  | 985,000                                    |
|                       |                  |                   |                  | 2,151                                      |
| <u>\$ 19,024</u>      | <u>\$ -</u>      | <u>\$ 133,958</u> | <u>\$ 51,455</u> | <u>\$ 1,518,392</u>                        |
|                       |                  |                   |                  |  |
| \$ 475                | \$ -             | \$ 128            | \$ 1,212         | \$ 16,276                                  |
|                       |                  | 1,275             | 210              | 4,363                                      |
|                       |                  | 133,958           | 4,393            | 138,351                                    |
|                       |                  | 132,555           | 50,033           | 182,588                                    |
| <u>475</u>            |                  | <u>267,916</u>    | <u>55,848</u>    | <u>341,578</u>                             |
|                       |                  |                   |                  |  |
|                       |                  |                   |                  | 2,151                                      |
|                       |                  |                   |                  | 1,200,518                                  |
| 18,549                |                  |                   |                  | 18,549                                     |
|                       |                  |                   |                  | 62,829                                     |
|                       |                  |                   |                  | 31,118                                     |
|                       |                  | (133,958)         | (4,393)          | (138,351)                                  |
| <u>18,549</u>         |                  | <u>(133,958)</u>  | <u>(4,393)</u>   | <u>1,176,814</u>                           |
| <u>\$ 19,024</u>      | <u>\$ -</u>      | <u>\$ 133,958</u> | <u>\$ 51,455</u> | <u>\$ 1,518,392</u>                        |

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|  | Special Revenue Funds              |                                  |                                       |
|--|------------------------------------|----------------------------------|---------------------------------------|
|  | Supplemental<br>Law<br>Enforcement | Public<br>Safety<br>Augmentation | Aspen Mall<br>Maintenance<br>District |
| <b>REVENUES</b>  |                                    |                                  |                                       |
| Taxes  | \$ -                               | \$ 169,612                       | \$ 35,916                             |
| Intergovernmental  | 100,000                            |                                  |                                       |
| Use of money and property                                    |                                    |                                  | 12                                    |
| Miscellaneous  |                                    |                                  |                                       |
| Total revenues   | 100,000                            | 169,612                          | 35,928                                |
| <b>EXPENDITURES</b>  |                                    |                                  |                                       |
| Current:   |                                    |                                  |                                       |
| Public safety  | 84,586                             | 158,641                          |                                       |
| Parks and recreation   |                                    |                                  |                                       |
| Community development  |                                    |                                  | 14,479                                |
| Capital outlay   | 5,058                              | 967                              |                                       |
| Debt service:  |                                    |                                  |                                       |
| Principal retirement   |                                    |                                  |                                       |
| Total expenditures   | 89,644                             | 159,608                          | 14,479                                |
| Excess (Deficiency) of revenues over<br>(under) expenditures | 10,356                             | 10,004                           | 21,449                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                    |                                  |                                       |
| Transfers in   |                                    | 9,187                            |                                       |
| Proceeds from capital lease                                  |                                    |                                  |                                       |
| Total other financing<br>sources (uses)                      |                                    | 9,187                            |                                       |
| Net change in fund balances                                  | 10,356                             | 19,191                           | 21,449                                |
| Fund balances (deficits) - July 1, 2012                      |                                    | 3,722                            | 41,380                                |
| Fund balances (deficits) - June 30, 2013                     | \$ 10,356                          | \$ 22,913                        | \$ 62,829                             |

| Special Revenue Funds |                      |                  |              |                  | Total<br>Governmental<br>Funds |
|-----------------------|----------------------|------------------|--------------|------------------|--------------------------------|
| Housing<br>Authority  | Park &<br>Recreation | COPS<br>Recovery | OHV<br>Grant | OHV EMS<br>Grant |                                |
| \$ -                  | \$ -                 | \$ -             | \$ -         | \$ -             | \$ 205,528                     |
|                       |                      | 32,408           | 106,976      | 77,695           | 317,079                        |
|                       | 6,725                |                  |              |                  | 12                             |
|                       | 6,725                | 32,408           | 106,976      | 77,695           | 6,725                          |
|                       |                      |                  |              |                  | 529,344                        |
|                       |                      |                  | 240,934      | 66,715           | 550,876                        |
|                       | 2,679                |                  |              |                  | 2,679                          |
|                       |                      |                  |              | 45,367           | 14,479                         |
|                       |                      |                  |              |                  | 51,392                         |
|                       |                      |                  |              | 8,602            | 8,602                          |
|                       | 2,679                |                  | 240,934      | 120,684          | 628,028                        |
|                       | 4,046                | 32,408           | (133,958)    | (42,989)         | (98,684)                       |
|                       |                      | 4,436            |              |                  | 13,623                         |
|                       |                      |                  |              | 38,596           | 38,596                         |
|                       |                      | 4,436            |              | 38,596           | 52,219                         |
|                       | 4,046                | 36,844           | (133,958)    | (4,393)          | (46,465)                       |
| 1,200,518             | 14,503               | (36,844)         |              |                  | 1,223,279                      |
| \$ 1,200,518          | \$ 18,549            | \$ -             | \$ (133,958) | \$ (4,393)       | \$ 1,176,814                   |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|                              | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|-----------------|------------------|---|
| <b>REVENUES</b>              |                 |                  |   |
| Intergovernmental            | \$ 92,902       | \$ 100,000       | \$ 7,098  |
| Total revenues               | 92,902          | 100,000          | 7,098   |
| <b>EXPENDITURES</b>          |                 |                  |   |
| Current:                     |                 |                  |   |
| Public safety                | 62,643          | 84,586           | (21,943)  |
| Capital outlay               | 30,259          | 5,058            | 25,201  |
| Total expenditures           | 92,902          | 89,644           | 3,258   |
| Net change in fund balance   |                 | 10,356           | 10,356  |
| Fund balance - July 1, 2012  |                 |                  |   |
| Fund balance - June 30, 2013 | \$ -            | \$ 10,356        | \$ 10,356   |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC SAFETY AUGMENTATION SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|   | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------|------------------|---|
| <b>REVENUES</b>                                 |                 |                  |   |
| Taxes   | \$ 120,000      | \$ 169,612       | \$ 49,612   |
| Total revenues                                  | 120,000         | 169,612          | 49,612  |
| <b>EXPENDITURES</b>                             |                 |                  |   |
| Current:  |                 |                  |   |
| Public safety                                   | 119,092         | 158,641          | (39,549)  |
| Capital outlay                                  | 908             | 967              | (59)  |
| Total expenditures                              | 120,000         | 159,608          | (39,608)  |
| Excess of revenues over<br>(under) expenditures |                 | 10,004           | 10,004  |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                 |                  |   |
| Transfers in                                    |                 | 9,187            | 9,187   |
| Total other financing<br>sources (uses)         |                 | 9,187            | 9,187   |
| Net change in fund balance                      |                 | 19,191           | 19,191  |
| Fund balance - July 1, 2012                     | 3,722           | 3,722            |   |
| Fund balance - June 30, 2013                    | \$ 3,722        | \$ 22,913        | \$ 19,191   |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ASPEN MALL MAINTENANCE DISTRICT SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|                              | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|-----------------|------------------|---|
| <b>REVENUES</b>              |                 |                  |   |
| Taxes                        | \$ 20,000       | \$ 35,916        | \$ 15,916   |
| Use of money and property    |                 | 12               | 12  |
| Total revenues               | 20,000          | 35,928           | 15,928  |
| <b>EXPENDITURES</b>          |                 |                  |   |
| Current:                     |                 |                  |   |
| Community development        | 27,500          | 14,479           | 13,021  |
| Total expenditures           | 27,500          | 14,479           | 13,021  |
| Net change in fund balance   | (7,500)         | 21,449           | 28,949  |
| Fund balance - July 1, 2012  | 41,380          | 41,380           |   |
| Fund balance - June 30, 2013 | \$ 33,880       | \$ 62,829        | \$ 28,949   |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
COPS RECOVERY SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|   | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------|------------------|---|
| <b>REVENUES</b>                                 |                 |                  |   |
| Intergovernmental                               | \$ 17,517       | \$ 32,408        | \$ 14,891   |
| Total revenues                                  | 17,517          | 32,408           | 14,891  |
| <b>EXPENDITURES</b>                             |                 |                  |   |
| Current:  |                 |                  |   |
| Public safety                                   | 17,517          |                  | 17,517  |
| Total expenditures                              | 17,517          |                  | 17,517  |
| Excess of revenues over<br>(under) expenditures |                 | 32,408           | 32,408  |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                 |                  |   |
| Transfers in                                    |                 | 4,436            | 4,436   |
| Total other financing<br>sources (uses)         |                 | 4,436            | 4,436   |
| Net change in fund balance                      |                 | 36,844           | 36,844  |
| Fund balance (deficit) - July 1, 2012           | (36,844)        | (36,844)         |   |
| Fund balance (deficit) - June 30, 2013          | \$ (36,844)     | \$ -             | \$ 36,844   |



**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
OHV GRANT SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|  | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------|------------------|---|
| <b>REVENUES</b>                        |                 |                  |   |
| Intergovernmental                      | \$ 197,786      | \$ 106,976       | \$ (90,810)   |
| Total revenues                         | 197,786         | 106,976          | (90,810)  |
| <b>EXPENDITURES</b>                    |                 |                  |   |
| Current:                               |                 |                  |   |
| Public safety                          | 160,048         | 240,934          | (80,886)  |
| Total expenditures                     | 160,048         | 240,934          | (80,886)  |
| Net change in fund balance             | 37,738          | (133,958)        | (171,696)   |
| Fund balance - July 1, 2012            |                 |                  |   |
| Fund balance (deficit) - June 30, 2013 | \$ 37,738       | \$ (133,958)     | \$ (171,696)  |

**CITY OF CALIFORNIA CITY  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
OHV EMS GRANT SPECIAL REVENUE FUND  
For the Fiscal Year Ended June 30, 2013**

|   | Budget<br>Final | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------|------------------|---|
| <b>REVENUES</b>                                 |                 |                  |   |
| Intergovernmental                               | \$ 170,666      | \$ 77,695        | \$ (92,971)   |
| Total revenues                                  | 170,666         | 77,695           | (92,971)  |
| <b>EXPENDITURES</b>                             |                 |                  |   |
| Current:  |                 |                  |   |
| Public safety                                   | 157,666         | 66,715           | 90,951  |
| Capital outlay                                  | 13,000          | 45,367           | (32,367)  |
| Debt service:                                   |                 |                  |   |
| Principal retirement                            |                 | 8,602            | (8,602)   |
| Total expenditures                              | 170,666         | 120,684          | 49,982  |
| Excess of revenues over<br>(under) expenditures |                 | (42,989)         | (42,989)  |
| <b>OTHER FINANCING SOURCES<br/>(USES):</b>      |                 |                  |   |
| Proceeds from capital lease                     |                 | 38,596           | 38,596  |
| Total other financing<br>sources (uses)         |                 | 38,596           | 38,596  |
| Net change in fund balance                      |                 | (4,393)          | (4,393)   |
| Fund balance - July 1, 2012                     |                 |                  |   |
| Fund balance (deficit) - June 30, 2013          | \$ -            | \$ (4,393)       | \$ (4,393)  |

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2013**

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|  | Enterprise Funds           |                   |                   |
|--|----------------------------|-------------------|-------------------|
|  | Kern COG<br>Transportation | Water Reserve     | Total             |
| <b>ASSETS</b>                                    |                            |                   |                   |
| Current:   |                            |                   |                   |
| Cash and investments                             | \$ 120                     | \$ 565,572        | \$ 565,692        |
| Receivables:                                     |                            |                   |                   |
| Accounts   | 312                        |                   | 312               |
| Other governments                                | 170,769                    |                   | 170,769           |
| Prepaid costs                                    | 4,181                      |                   | 4,181             |
| Total current assets                             | 175,382                    | 565,572           | 740,954           |
| Noncurrent:                                      |                            |                   |                   |
| Capital assets - net of accumulated depreciation | 109,906                    | 46,073            | 155,979           |
| Total noncurrent assets                          | 109,906                    | 46,073            | 155,979           |
| Total assets                                     | <u>\$ 285,288</u>          | <u>\$ 611,645</u> | <u>\$ 896,933</u> |
| <b>LIABILITIES</b>                               |                            |                   |                   |
| Current liabilities:                             |                            |                   |                   |
| Accounts payable                                 | \$ 2,118                   | \$ -              | \$ 2,118          |
| Accrued liabilities                              | 5,758                      |                   | 5,758             |
| Due to other funds                               | 177,462                    |                   | 177,462           |
| Accrued compensated absences                     | 3,450                      |                   | 3,450             |
| Total current liabilities                        | 188,788                    |                   | 188,788           |
| Noncurrent liabilities:                          |                            |                   |                   |
| Accrued compensated absences                     | 5,180                      |                   | 5,180             |
| Total noncurrent liabilities                     | 5,180                      |                   | 5,180             |
| Total liabilities                                | 193,968                    |                   | 193,968           |
| <b>NET POSITION</b>                              |                            |                   |                   |
| Net investment in capital assets                 | 109,906                    | 46,073            | 155,979           |
| Unrestricted                                     | (18,586)                   | 565,572           | 546,986           |
| Total net position                               | 91,320                     | 611,645           | 702,965           |
| Total liabilities and net position               | <u>\$ 285,288</u>          | <u>\$ 611,645</u> | <u>\$ 896,933</u> |

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|  | Enterprise Funds           |               |             |
|--|----------------------------|---------------|-------------|
|  | Kern COG<br>Transportation | Water Reserve | Total       |
| <b>OPERATING REVENUES</b>                |                            |               |             |
| Sales and service charges                | \$ 24,946                  | \$ 565,323    | \$ 590,269  |
| Miscellaneous                            | 2                          |               | 2           |
| Total operating revenues                 | 24,948                     | 565,323       | 590,271     |
| <b>OPERATING EXPENSES</b>                |                            |               |             |
| Administration and general               | 228,333                    |               | 228,333     |
| Depreciation expense                     | 58,635                     | 960           | 59,595      |
| Total operating expenses                 | 286,968                    | 960           | 287,928     |
| Operating income (loss)                  | (262,020)                  | 564,363       | 302,343     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                            |               |             |
| Intergovernmental                        | 203,608                    |               | 203,608     |
| Interest revenue                         |                            | 249           | 249         |
| Total non-operating revenues (expenses)  | 203,608                    | 249           | 203,857     |
| Income (loss) before transfers           | (58,412)                   | 564,612       | 506,200     |
| <b>TRANSFERS</b>                         |                            |               |             |
| Transfers in                             | 2                          |               | 2           |
| Transfers out                            |                            | (1,021,320)   | (1,021,320) |
| Total transfers                          | 2                          | (1,021,320)   | (1,021,318) |
| Changes in net position                  | (58,410)                   | (456,708)     | (515,118)   |
| Net position - July 1, 2012              | 149,730                    | 1,068,353     | 1,218,083   |
| Net position - June 30, 2013             | \$ 91,320                  | \$ 611,645    | \$ 702,965  |

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|   | Enterprise Funds           |               |             |
|---|----------------------------|---------------|-------------|
|   | Kern COG<br>Transportation | Water Reserve | Total       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |               |             |
| Cash received from customers and users  | \$ 24,636                  | \$ 565,323    | \$ 589,959  |
| Cash paid to suppliers for goods and services   | (42,174)                   |               | (42,174)    |
| Cash paid to employees for services   | (191,712)                  |               | (191,712)   |
| Net cash provided (used) by operating activities  | (209,250)                  | 565,323       | 356,073     |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>   |                            |               |             |
| Cash transfers in   | 2                          |               | 2           |
| Cash transfers out  |                            | (1,021,320)   | (1,021,320) |
| Repayments from other funds   | 16,277                     |               | 16,277      |
| Intergovernmental   | 204,278                    |               | 204,278     |
| Net cash provided (used) by non-capital financing activities  | 220,557                    | (1,021,320)   | (800,763)   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |                            |               |             |
| Acquisition and construction of capital assets  | (11,307)                   |               | (11,307)    |
| Net cash provided by capital and related financing activities   | (11,307)                   |               | (11,307)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |               |             |
| Interest received   |                            | 249           | 249         |
| Net cash provided by investing activities   |                            | 249           | 249         |
| Net increase (decrease) in cash and cash equivalents  |                            | (455,748)     | (455,748)   |
| Cash and cash equivalents, July 1, 2012   | 120                        | 1,021,320     | 1,021,440   |
| Cash and cash equivalents, June 30, 2013  | \$ 120                     | \$ 565,572    | \$ 565,692  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                            |               |             |
| Operating income (loss)   | \$ (262,020)               | \$ 564,363    | \$ 302,343  |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities  |                            |               |             |
| Depreciation  | 58,635                     | 960           | 59,595      |
| Changes in assets and liabilities:  |                            |               |             |
| (Increase) decrease in accounts receivable  | (312)                      |               | (312)       |
| (Increase) decrease in prepaid expense  | (371)                      |               | (371)       |
| Increase (decrease) in accounts payable   | 858                        |               | 858         |
| Increase (decrease) in accrued liabilities  | 641                        |               | 641         |
| Increase (decrease) in compensated absences   | (6,681)                    |               | (6,681)     |
| Total adjustments   | 52,770                     | 960           | 53,730      |
| Net cash provided (used) by operating activities  | \$ (209,250)               | \$ 565,323    | \$ 356,073  |

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

There was no non-cash investing, financing or capital activity during the current fiscal year.

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF NET POSITION**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**June 30, 2013**

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|   | RDA<br>Capital Projects<br>Successor<br>Agency<br>Fund | RDA<br>Successor<br>Agency<br>Fund | Total           |
|---|--|------------------------------------|-----------------|
| <b>ASSETS</b>                             |  |                                    |                 |
| Cash and investments                      | \$ 100   | \$ 1,998,914                       | \$ 1,999,014    |
| Cash and investments with fiscal agents   |  | 1,220,574                          | 1,220,574       |
| Notes receivable                          | 173,000  |                                    | 173,000         |
| Deferred charges                          |  | 236,963                            | 236,963         |
| Land held for resale                      | 1,987,350  |                                    | 1,987,350       |
| Total assets                              | 2,160,450  | 3,456,451                          | 5,616,901       |
| <b>LIABILITIES</b>                        |  |                                    |                 |
| Due to other governments/accounts payable |  | 263,731                            | 263,731         |
| Interest payable                          |  | 326,723                            | 326,723         |
| Unearned revenue                          |  | 1,043,022                          | 1,043,022       |
| Noncurrent liabilities                    |  |                                    |                 |
| Advances from the City of California City | 20,684,224   | 985,000                            | 21,669,224      |
| Long-term debt, due within one year       |  | 882,734                            | 882,734         |
| Long-term debt, due in more than one year |  | 14,570,744                         | 14,570,744      |
| Total liabilities                         | 20,684,224   | 18,071,954                         | 38,756,178      |
| <b>NET POSITION (DEFICIT)</b>             |  |                                    |                 |
| Unrestricted                              | \$ (18,523,774)  | \$ (14,615,503)                    | \$ (33,139,277) |

**CITY OF CALIFORNIA CITY**  
**COMBINING STATEMENT OF CHANGES IN NET POSITION**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2013**

|  | RDA<br>Capital Projects<br>Successor<br>Agency<br>Fund | RDA<br>Successor<br>Agency<br>Fund | Total                  |
|--|--|------------------------------------|------------------------|
| <b>ADDITIONS</b>                               |  |                                    |                        |
| Tax increment                                  | \$ -   | \$ 2,191,708                       | \$ 2,191,708           |
| Use of money and property                      |  | 46,573                             | 46,573                 |
| Other revenue                                  |  | 2,324                              | 2,324                  |
| Total additions                                |  | 2,240,605                          | 2,240,605              |
| <b>DEDUCTIONS</b>                              |  |                                    |                        |
| Community development                          | 30,000   | 370,179                            | 400,179                |
| Interest on long-term debt                     | 100,000  | 1,026,271                          | 1,126,271              |
| Amortization                                   |  | 70,332                             | 70,332                 |
| Total deductions                               | 130,000  | 1,466,782                          | 1,596,782              |
| Change in net position                         | (130,000)  | 773,823                            | 643,823                |
| Net position (deficit), July 1, 2012           | (18,393,774)   | (15,167,163)                       | (33,560,937)           |
| Prior period adjustment                        |  | (222,163)                          | (222,163)              |
| Net position (deficit), July 1, 2012, Restated | (18,393,774)   | (15,389,326)                       | (33,783,100)           |
| Net position (deficit), June 30, 2013          | <u>\$ (18,523,774)</u>                                 | <u>\$ (14,615,503)</u>             | <u>\$ (33,139,277)</u> |